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United Nations Industrial Development Organization

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# Industrial Development Board

Twelfth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 9 May 1994, at 10 a.m.

Temporary President: Mrs. MACHADO QUINTELLA (Brazil)
President: Mr. EL HUSSEIN (Sudan)

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The meeting was called to order at 10.15 a.m.

OPENING OF THE TWELFTH SESSION

1. The TEMPORARY PRESIDENT declared open the twelfth session of the Industrial Development Board.

2. She thanked the members of the Board for the cooperation and trust she had enjoyed in guiding its work during a period of considerable changes in the world. At the previous session, in working groups and at the fifth session of the General Conference, topics had been discussed which had a great bearing on the prospects for a better future for UNIDO. She also thanked the Director-General, the Secretary of the Board and the staff of the Organization for the helpful assistance from which the Board and she had benefited. It had been an honour for her to preside over its work.

ELECTION OF OFFICERS

3. The TEMPORARY PRESIDENT said that she had received the following nominations: Mr. El Hussein (Sudan) for the post of President; Mrs. Ok (Turkey), Mr. Arcilla (Philippines) and Mr. Wejtko (Poland) for the posts of Vice-President; and Mr. Curia (Argentina) for the post of Rapporteur.

4. The candidates were elected by acclamation.

5. The President took the Chair.

6. The PRESIDENT expressed his deep gratitude to the Board, and especially to all its African members, for the confidence they had shown his country and himself in electing him President. His task would be greatly facilitated through the help of the Director-General, the Secretary of the Board and the other members of the Secretariat, all of whom had consistently made an effective contribution to the Board's work. He congratulated the other members of the Bureau on their election. He had every confidence that, with their cooperation, the session would be successful and promote the attainment of the

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Organization's objectives. He addressed his special thanks to the outgoing President and Bureau for their major services to UNIDO in ensuring the success of the fifth session of the General Conference.

7. The major political and economic changes taking place in the world called for a continuous response from the various components of the Organization. The general trend towards free trade and the privatization of economic activity held promise, but it also presented serious challenges, which UNIDO would have to help developing countries to meet because they lacked the necessary human, technological and financial resources to do so unaided.

8. In industrial development there was a developed North and a developing but disenfranchised South - with a broadening gap between them - and now a third category of countries, those of eastern Europe. The tendency of the countries of the North to emphasize the provision of development assistance for eastern Europe rather than the countries of the South was a source of concern to African nations, and especially to the least developed among them.

9. Although UNIDO, with its modest resources, could not perform miracles in addressing all those challenges, it was now in a better position to assist in the process because of the Director-General's excellent administrative and financial management, including his bold restructuring plans. It was encouraging that UNIDO's financial situation had improved somewhat, and he hoped that generous contributions would make it even stronger.

10. Many important decisions had been taken at the Yaoundé Conference. It was for the Board, at the present session, to translate them into activities, programmes and projects that would promote industrialization in the developing countries, and especially in the least developed countries, in accordance with the spirit and the letter of the Yaoundé Declaration.

11. The Yaoundé Conference having established a timetable and order of priorities for UNIDO's activities, it was the Board's major task at the twelfth session to plan for their implementation. He hoped that, with the cooperation of all those present, the Board would be able to arrive at solutions for all the issues on its agenda in a way which responded to the decisions taken at Yaoundé, especially in regard to the consolidation of industrial development in Africa and in the least developed countries, so many of which were in that continent.

12. In carrying out that task, the Board should bear in mind that, only six years short of the year 2000, the target of 25 per cent for the developing countries' share of world industrial production set for that year in the Lima Declaration was far from fulfilment; at present their share was only 15 per cent. That showed the magnitude of the task faced by UNIDO in helping to transfer technology to those countries, train their personnel, promote the marketing of their products and assist flows of capital, especially for their small and medium-sized enterprises, which were the backbone of progress in those countries. He himself would do all he could to further those objectives.

ADOPTION OF THE AGENDA FOR THE TWELFTH SESSION (IDB.12/1 and Add.1)

13. The PRESIDENT drew the Board's attention to the provisional agenda (IDB.12/1). It contained the items approved at the eleventh session, and also two supplementary items, namely items 9 and 10. He understood there was general agreement that those supplementary items should be included.

14. The provisional agenda (IDB.12/1) was adopted.

STATEMENT BY THE DIRECTOR-GENERAL

15. Mr. DE MARIA Y CAMPOS (Director-General) congratulated the President on his election and the outgoing President on her skilled stewardship of an unprecedented number of meetings. Her chairing of the informal contact group for the preparation of the fifth session of the General Conference had played a key role in ensuring its success. He warmly welcomed the presence of the President of that session, H. E. Mr. P. Mandeng Ambassa.

16. The main document before the Board was the annual report for 1993 (IDB.12/2), incorporating the programme performance report of the first year of the 1992-1993 biennium. A new presentation, more concise, analytical and easy to use, would be introduced for the next annual report.

17. He drew attention to the documents relating to items 6, 7, 10 and 11, which dealt, respectively, with the recommendations of the second Ministerial Symposium on the Industrialization of the Least Developed Countries (IDB.12/6), UNIDO's contribution to the System-Wide Action Plan on Drug Abuse Control (IDB.12/4), operational activities for development (IDB.12/9) and UNIDO's electronic data-processing programme (IDB.12/7). Under the last programme, IAEA had been awarded a facilities management contract for the mainframe computer.

18. The progress report on action taken pursuant to General Conference resolution GC.5/Res.18 on the future policy framework of UNIDO (IDB.12/5) had been supplemented by a conference room paper (IDB.12/CRP.4). Details were given in those documents on action taken with regard to staff resources and their allocations; the terms of reference and work processes of the new organizational setting; the cost-saving endeavours initiated and undertaken following the report of an internal task force set up for the purpose; activities relating to programming work and the identification and processing of demand for specific services in recipient countries; and the involvement of UNIDO in system-wide activities. Although the restructuring of any large organization, particularly an international one, was a complex task, he was pleased to announce that the restructuring exercise had been completed and that a leaner and more efficient Organization, reflecting the change in priorities decided on at the fifth session of the General Conference, had emerged to deal with the needs of Member States.

19. The initial staff assignments had been reviewed in recent months. A new Managing Director had assumed charge of the Administration Division. Other appointments, particularly at the middle and senior levels, were due to be finalized shortly. New terms of reference for each organizational unit had been issued in a special Director-General's Bulletin. New procedures had

also been prescribed for the design and management of UNIDO services in the form of programmes and projects. The new procedures were intended to streamline requests for services from Member States and their subsequent implementation and monitoring, ensuring effective quality assurance standards at all stages.

20. As a result of the staff reduction exercise and the restructuring of UNIDO, the current biennium had been started with 106 fewer posts than in 1993. As the severe budgetary constraints left little scope for rewarding dedicated and creative service with promotion, he was introducing a merit award scheme from the current year, especially for teams of staff members who made outstanding contributions in terms of innovation, cost-effectiveness or improvements in the public image of UNIDO. Staff training and retraining would be given high priority and the system of performance appraisal and accountability would be streamlined.

21. Teamwork and interdisciplinary consultations were being encouraged, and staff members were being involved more in UNIDO's decision-making functions. Fortnightly seminars were held on strategic industrial issues relating to UNIDO.

22. While 1994 would inevitably be a year of transition, it was essential that the new priorities and initiatives of the restructured Organization were implemented as rapidly as possible. The financial situation would continue to be a major constraint. While the position under the regular budget was relatively sound, stabilization of the operational budget was likely to prove difficult. Income under the operational budget was currently estimated at $12.6 million in 1994, largely because of the continuing decline in UNDP funding, while expenditure at current levels would result in a total of about $13.8 million for the year. He would seek to reduce expenditure as far as possible, while maintaining efficiency and quality performance. To that end, cost reduction measures would be intensified. There was, however, a great need for additional funds for operational programmes and activities in the field, and he therefore requested increased voluntary resource allocations from donor countries and institutions in line with Member States' commitment in Yaoundé to renew their political and financial support to the revitalized UNIDO. It was encouraging that some major donors, such as Austria, France and the United Kingdom, had considerably increased their Special-Purpose IDF and Trust Fund contributions and that additional contributions had been provided from two multilateral sources, the Montreal Protocol and the United Nations International Drug Control Programme. However, as some other donors had not maintained previous pledge levels, it would be difficult to counterbalance the sharp decrease in UNDP resources so that UNIDO could meet the growing demand for its services and implement its mandated priorities.

23. Priority in the post-structuring phase was being given to the sharpening of the focus of UNIDO's services. Programmes and activities were focusing on areas of priority and increased concentration, and the work programmes were based on a new format that linked each activity directly with development objectives and priorities. An important initiative was the formulation of specific priority themes based on the assessed needs of most developing countries and a realistic determination of UNIDO's capabilities and its advantages over other organizations. Such priority themes, for each of which a strategy paper would be finalized in the coming months, had been formulated for most of the Organization's principal areas of concentration. They would, of course, need to be adjusted in the light of the stated needs of Members.

24. Emphasis would also be laid on forging closer links with Member States, their Permanent Missions and their representative organizations in industry. The requisite strengthening of UNIDO's field presence would clearly call for increased participation by Member States in the funding of local UNIDO Offices. Programming missions would shortly be sent to a number of countries in various developing regions to review requirements for UNIDO's services. He had himself recently visited India, Nepal and Poland, all of which offered considerable potential for such services.

25. As recognized in the Yaoundé Declaration, top priority would have to be given to the least developed countries and to Africa, where most LDCs were located. At the eleventh session of the Conference of African Ministers of Industry, held in Mauritius in 1993, UNIDO had set out a ten-point programme for the reorientation of its activities. The programme had been expanded in Yaoundé, and several activities were in various stages of implementation in particular countries. However, the situation would have to be reviewed and further initiatives devised to ensure that the resources and potential for African industry and entrepreneurs were integrated into an effective pattern of long-term industrial growth. To that end, he intended to convene a meeting later in 1994 with the principal African development institutions, in particular the Economic Commission for Africa (ECA) and the African Development Bank (ADB), togther with the Organization of African Unity (OAU), to obtain their full support for UNIDO's initiatives, so that they could jointly address such concerns as industrial financing, mobilization of investible resources and fostering of local capabilities for self-sustained industrialization, especialy at institutional and enterprise levels.

26. South Africa was undergoing a historic change and would have to take urgent action to address the pressing needs of the majority of its population. However, the prospects for subregional and regional cooperation were greatly enhanced, and UNIDO would play its part in promoting such cooperation. It was currently finalizing a study of the impact of change in South Africa on manufacturing in the subregion. It would also be holding a workshop in Bamako, Mali, in June 1994 for the countries of the Union Economique et Monétaire Ouest Africaine (UEMOA) to review the effect of devaluation of the CFA franc on industrial enterprises in those countries and to draw up a programme of action for industrial recovery and growth.

27. With the growth in the number of LDCs each year, inequalities were growing at a time of greater interdependence, increasing the potential for social and political conflict. The recommendations of the Second Ministerial Symposium on LDCs had highlighted the crucial role of industry in that connection and identified several key aspects needing attention, including

in particular finance for industry, the principal constraint for most small- and medium-scale enterprises in those countries. It was recommended that UNIDO should give high priority to human resource development in LDCs, including training and support for local entrepreneurs, and to the promotion of investment, largely through small- and medium-scale enterprises. A revised programme of UNIDO services would be drawn up for those countries.

28. Implementation of the Special Programme for Industrial Development in the Arab Countries was proceeding satisfactorily, and detailed discussions had recently been held with major Arab development institutions and with the Executive Secretary of ESCWA. UNIDO intended to carry out a wide-ranging industrial support programme for the Palestinian people, focusing on projects that would generate employment and promote small- and medium-scale enterprises through private-sector initiatives. As soon as the programme was finalized with the Palestinian authorities, the donor community would be approached for financial support.

29. The needs of the industrially more advanced developing countries, especially in Asia and Latin America, were somewhat different. More emphasis had to be placed on the development of competitive capability in various subsectors through investment, innovative technological applications, human resource development and environment-related activities. Programmes and projects in those areas were being developed in conjunction with the authorities and national industrial associations.

30. UNIDO had provided considerable support for industrial restructuring in several transitional economies in Eastern and Central Europe. The programmes would be continued and strengthened subject to the availability of additional resources. He had just returned from an East-West Business Forum sponsored by the Polish Government, OECD and UNIDO in the framework of a ministerial conference of the Group of Seven countries and ten reforming economies. The final declaration had called for a partnership for development and the mobilization of additional resources to assist the restructuring and privatization process in the transitional economies. UNIDO expected to play a role in that regard. It would be assisted by the United Kingdom's Know-How Fund. Contributions were also expected from other sources and countries.

31. A UNIDO initiative was also planned in the Central Asian republics of the former Soviet Union. The first stage would be launched in July 1994 with external funding.

32. A major programme was proposed to forge closer links through ECDC/TCDC between more industrialized developing countries and LDCs. Various forms of international industrial cooperation would also be set in motion through consultations and expert group meetings between concerned bodies in developing and developed countries. Private-sector bodies, such as industrial associations, subsector organizations and industry-related institutions, were becoming increasingly involved.

33. UNIDO had been playing a valuable role in the area of industry-related environmental policies: transfer of environmentally sound technologies, development of "clean" production centres and assistance in ensuring safer use of toxic chemicals and hazardous waste. He requested the support of the Board and of Member States, also in other international forums, for an increased role for UNIDO in those areas.

34. A series of meetings had been initiated with other United Nations agencies and bodies, including the United Nations Secretariat, UNDP, UNCTAD and UNEP, to improve coordination. They would be followed up in the next few months.

35. The restructured Organization was off to a very good start. He was confident that UNIDO would be a far more focused and effective Organization and that the level and quality of its services would improve substantially, provided, of course, that it obtained full support and guidance from Member States and increased financial contributions from the international donor community.

ORGANIZATION OF WORK

36. The PRESIDENT noted that at previous sessions, with a view to achieving economies and ensuring the effective utilization of conference-servicing resources, the Board had decided to suspend the quorum requirement laid down in rule 32 of the rules of procedure. Under rule 80, such a decision could take effect immediately, without the prescribed 24 hours' notice, if no member objected. If he heard no objection, he would take it that the Board wished to suspend, for its twelfth session only and with immediate effect, rule 32 of the rules of procedure, on the understanding that the suspension would apply only to meetings at which no substantive decision was taken.

37. It was so decided.

38. The PRESIDENT reminded the Board of the recommendations for the conduct of business and rationalization of proceedings made by the Board at its fifth session in its decision IDB.5/Dec.46.

39. He invited the Board to take up the consideration of agenda items 4, 5, 9 and 10.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1993 ON THE ACTIVITIES OF THE ORGANIZATION (IDB.12/2; IDB.12/CRP.2)

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1993 (IDB.12/8; IDB.12/CRP.1)

FUTURE POLICY FRAMEWORK OF UNIDO - ORGANIZATIONAL AND STAFF STRUCTURE (IDB.12/5; IDB.12/CRP.4)

OPERATIONAL ACTIVITIES FOR DEVELOPMENT (IDB.12/9)

40. Mr. SPETSIOS (Greece), speaking on behalf of the European Union and its member States, said that the adoption by the General Conference of resolution GC.5/18 and of the Yaoundé Declaration had marked a turning-point for UNIDO, placing it at the forefront of efforts to increase the impact of United Nations operational activities. However, the Yaoundé achievement was only the start of the reform process. He welcomed the steps taken by the Director-General since then to restructure the Organization, cut costs and reduce staff.

41. The reform, to be successful, must implement the ideas of the Director-General as set out in document GC.5/23 and approved by the General Conference. That implied further action in line with the steps defined in document IDB.12/8 on UNIDO technical cooperation activities in 1993. Those steps included a detailed determination of the UNIDO areas of concentration, and the development of the related conceptual frameworks; the precise delineation of responsibilities between the central quality assurance unit and the outposted quality assurance officers, to ensure the uniform application of quality standards; the preparation of the quality manual; the carrying out of an intensive staff development and training programme on the management of quality, based on the project cycle management methodology; and the adoption of a revised system for assessing the performance of managers and other staff and for awarding credit for teamwork. A new service management process and a more coordinated approach could be vital in achieving better quality.

42. The European Union had emphasized on previous occasions that the Director-General should use his prerogatives under the Constitution. He should continue to do so, putting the right people in the right places and bringing in new blood. The Constitution specified that the paramount consideration in the employment of staff was the need to secure the highest standards of efficiency, competence and integrity. Inevitably, some initial imbalances in the geographical distribution of the staff had occurred as a result of the restructuring, and they could not be rectified overnight. If further redundancies were required in order to improve the quality of staffing, the necessary measures ought to be taken, with due regard for the relevant rules and regulations. Further cost reductions should be achieved when possible, and he welcomed the establishment by the Director-General of a working group to examine areas where savings could be made, with a view to rationalizing the Organization's expenditure.

43. Some member countries which had been highly critical of UNIDO's performance in the past were following the reform process with interest, while maintaining a "wait and see" attitude in their relationship with the Organization. For that reason, member countries should be kept fully informed of progress in the reform effort. While recent efforts in that direction were welcome, a regular flow of information was required, and he therefore welcomed the Director-General's plans for a monthly briefing of heads of regional groups. The necessary documentation on progress towards focusing and prioritization should be made available before the next session of the Board. Members of the European Union were also anxious to receive from the Director-General a timetable for the implementation of the various elements of the reform. He emphasized that the European Union would continue to support the Director-General in the difficult decisions yet to come. The more efficient UNIDO became, the more capable it would be of attracting funds and maximizing its potential for the benefit of its recipients.

44. Turning to agenda item 4, he commended the Secretariat on the compilation of the annual report for 1993. He hoped a new and more concise format would be used in future years, in accordance with General Conference decision GC.5/Dec.9. At the same time, some thought should be given to remedying the drab and unappealing presentation of the report, with a view to improving the Organization's image. He was concerned to learn from the report that a mid-1993 review of the results of the evaluations carried out in 1992 had revealed a serious decline in project effectiveness and efficiency. He was anxious to know how the UNIDO management ensured that the recommendations contained in evaluations were actually implemented. The report mentioned overwhelming evidence of project design inadequacies during the year, but was silent on the inadequacies in project execution which had emerged from some of the project evaluations. Those shortcomings, whether attributable to lack of guidance from UNIDO Headquarters, a poor exchange of information or insufficient flexibility in adjusting project design, again highlighted the importance of quality assurance in UNIDO's project approval and execution processes. The new quality management system must ensure that not only project planners, but also managers were accountable for the quality of the Organization's technical cooperation efforts.

45. The European Union regretted the reduction of over 50 per cent in technical cooperation funds for Africa and hoped that, in its efforts to mobilize financial resources, UNIDO would give high priority to the industrialization of that continent. It welcomed the information provided in the report on UNIDO's activities for the Second Industrial Development Decade for Africa, but would have been glad of a more detailed analysis of their impact. The same criticism applied to most of chapter V on industrial operations.

46. The European Union commended the Secretariat's efforts to reduce the volume of documentation and believed that some credit was also due to Member States for their decision to rationalize the agendas of the policy-making organs. It wished to reiterate its support for the efforts made by the Director-General to transform UNIDO into a better structured and more efficient Organization capable of responding to the wishes and interests of all Member States.

47. Mr. BENATTALLAH (Algeria) said that his country saw UNIDO as a most important instrument for industrial cooperation and considered that it should be provided with all the resources it needed to enable it to operate effectively. It deserved the financial support of all Member States. Algeria for its part had made an advance payment of its contribution to the regular budget, a step significant for two reasons: firstly, because it reflected his country's support for the full implementation of the reforms under way and, secondly, because it had been taken at a time of great economic and financial difficulty. His Government had also decided to contribute some 2 million dinars to the local expenses of the UNIDO Office in Algiers, a sum that fully met UNIDO's expectations. It hoped that those steps would encourage UNIDO to acquire a better understanding of the new economic situation in Algeria and thus lead it to encourage the efforts his country was making in its transition to a market economy.

48. Turning to the annual report of the Director-General for 1993, he said he wished to make three points. First of all, following the restructuring of UNDP, the adoption of new policies and procedures and the decrease in the

allocation of resources from that source, the level of activities had only just been maintained. Secondly, while the continuing financial problems had hampered most activities, they had especially affected those in Africa, and also in the Arab States. Serious efforts should therefore be made to mobilize additional resources. Thirdly, his country was concerned to note the growing problems in the regular budget resulting from delays in or non-payment of contributions. The operational budget had also been reduced, and no real solutions had been found to offset such reductions. He hoped that UNIDO's financial position would improve rapidly now that reforms were being carried out.

49. If UNIDO could acquire greater credibility, it would be able to attract greater resources. In that connection he wished to make certain comments on its future organizational structure. First of all, he welcomed the efforts made by the Director-General to improve transparency and communication with Member States. Secondly, while understanding the need to carry out structural adjustments with all due care, he considered that the process should be completed as soon as possible. It should be borne in mind that restructuring was also intended to bring in new blood and new thinking. Increased representation of the developing countries in the senior levels of the Secretariat would be welcome, as would the correction of current geographical imbalances. Thirdly, he believed that the new procedures and methodology should be aimed at two objectives: speeding up the process of project approval by means of improved coordination among the various parties involved and improving the quality of projects, particularly high-cost ones, for it appeared that whenever large projects were involved UNIDO's expertise tended to be called in question. In that connection, he had noted the dramatic drop in project efficiency and effectiveness described in the Director-General's report. Evaluations such as those carried out with Germany should be encouraged, for the impact of projects would be the best guarantee of UNIDO's credibility. The measures envisaged by the Director-General were aimed in the right direction, but they would call for a strengthening of evaluation structures. Fourthly, with regard to industrial restructuring and rehabilitation priorities, the contribution of support and counselling services in industry in generating employment and in developing often considerable endogenous resources should not be overlooked. Fifthly, with regard to operational development activities and field representation, his country considered that the function of Director of UNIDO Office had not been integrated into the restructuring process as it should have been. The Directors of UNIDO Offices should not simply serve to transmit information or to act as some sort of agents of UNDP. Would it be possible in that connection to renegotiate the agreement with UNDP? The persons appointed to such posts should also be of a more professional type. Some of the staff at Headquarters might be encouraged to accept redeployment to the field, and it should be possible to call on locally-recruited qualified staff under certain conditions. Finally, UNIDO must continue to monitor all the types of expenses which overburdened the budget.

50. His country welcomed the encouraging development of ECDC. It intended to expand its cooperation through the International Centre for Genetic Engineering and Biotechnology in New Delhi, but regretted that the unit responsible was not sufficiently well endowed to ensure the necessary flow of information or the distribution of the expertise available in many developing countries.

51. UNIDO was a framework in which the views and interests of all Member States should be harmonized. A new balance must be struck in the restructured UNIDO if a more efficient industrial partnership of benefit to all was to be created.

52. Mr. LAVROV (Russian Federation) believed that the Board should approach its agenda at the present session in the light of the restructuring of UNIDO. The first steps had been taken to implement the decisions made at Yaoundé, the parameters for reorganizing activities had been defined, in the light of the needs of all Member States concerned, and useful changes were being introduced into the approaches to technical cooperation. Special attention should also be paid to such agreed reform components as the improvement of the quality of services provided, the establishment of true partnership relations between participants in international industrial cooperation, with due regard for the adjustment processes in other specialized agencies, and the implementation of a balanced personnel policy in the UNIDO Secretariat. The restructuring of the Organization should be completed during the current year and full-scale activities begun on a new basis.

53. With reference to UNIDO's activities in 1993, he was glad to note that the Secretariat had succeeded in implementing programme goals with reduced financial and human resources, but considered that the Organization could improve its efficiency still further. The Department of Industrial Operations had made a positive contribution towards meeting the needs of economies in transition in developing their private sectors, and the Department for Programme and Project Development had usefully supported industrial restructuring, the implementation of technical assistance projects with extrabudgetary funds and the organization of briefing sessions for industrial and business sectors. His country believed that UNIDO's activities in Europe should be strengthened, and it welcomed the transformation of the European programme into an independent structural unit mainly designed to deal with the problems of the economies in transition. It hoped that the unit would be fully operational as soon as possible and that it would develop activities which could be integrated into international efforts to support the transitional economies.

54. Although shortcomings and difficulties remained in technical cooperation activities, the first positive results of the measures taken to remedy the situation could already be seen. A system to control quality at all stages of the preparation and implementation of projects had been established, a special unit of the Secretariat would deal with the mobilization of financial resources, and long-term global industrialization forecasts, studies and reviews of industrial development were being prepared. His country supported UNIDO's research activities and believed that its activities to support industrialization in the least developed countries in the 1990s and to promote technical cooperation between developing countries should improve its technical cooperation activities as a whole.

55. As regards operational activities for development, he welcomed the part played by UNIDO in preparing documents on United Nations strategy for individual countries. UNIDO's country programmes should be more closely integrated into the common system approach in the future. Analysis of the industrial situation by country and by region, consultations on industrial policy, technology transfers and investment promotion should all be integrated into national strategies for industrial development. UNIDO's participation in implementing the objectives agreed upon in the United Nations system would enhance its co-ordinating role as regards industrial development.

56. Cooperation between Russia and UNIDO had improved greatly during the previous year. The Memorandum on Cooperation signed in July 1993 had come into operation, the Russia/UNIDO Joint Committee had been established and a decision had been taken to transform the UNIDO Centre in Moscow into an Investment Promotion Bureau.

57. His country highly appreciated UNIDO's activities with regard to efforts to attract foreign investment, privatization, the development of small and medium enterprises, economic free zones and staff training. It would do everything it could to promote greater cooperation in those areas. The investment forums held in CIS countries were of practical interest to the industrial circles of many developed and developing countries, for they opened up real opportunities to establish direct business contacts with Russian experts in unique technologies, particularly those relating to the previously closed military industrial complex now being converted to produce non-military products.

58. His country had expanded its programme of assistance to the developing countries. With its considerable experience in research and development, it was ready to help those countries with the transfer of technology. It had played an active part in the Technology Market 1993 in New Delhi and intended to do the same at a similar gathering in 1994 in Viet Nam. It believed that UNIDO should envisage holding such gatherings in Africa and in one of the countries of eastern Europe.

The meeting rose at 11.55 a.m.

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United Nations Industrial Development Organization

# Industrial Development Board

Twelfth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 9 May 1994, at 3 p.m.

President: Mr. EL HUSSEIN (Sudan)

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The meeting was called to order at 3.20 p.m.

ORGANIZATION OF WORK

1. The PRESIDENT said that the Bureau had recommended the establishment of informal in-session consultations to facilitate the drafting of decisions. Experience had shown that such consultations made it easier to reach consensus on draft decisions. All members of the Board were urged to participate in the consultations. The Bureau had also recommended that Mrs. Fügen Ok should chair the consultations in her capacity as a Vice-President of the Board. Draft decisions would not be discussed in consultations until the debate on the subject in the plenary was over.

2. The above recommendations were adopted.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1993 ON THE ACTIVITIES OF THE ORGANIZATION (continued) (IDB.12/2; IDB.12/CRP.2)

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1993 (continued) (IDB.12/8; IDB.12/CRP.1)

FUTURE POLICY FRAMEWORK OF UNIDO - ORGANIZATIONAL AND STAFF STRUCTURE (continued) (IDB.12/5; IDB.12/CRP.4)

OPERATIONAL ACTIVITIES FOR DEVELOPMENT (continued) (IDB.12/9)

3. The PRESIDENT said that a request had been received for a representative of the staff to be permitted to present the staff's views, and the Bureau had recommended that the presentation should be made as early as possible in the debate under agenda item 9 ("Future policy framework of UNIDO - organizational and staff structure"). Accordingly, in compliance with General Conference resolution GC.4/Res.29 and after consultation with the Director-General, he invited the President of the Staff Union to make a statement.

4. Mr. LILLIE (President of the UNIDO Staff Union) said that, following the reorganization and staff reductions, it might be useful to survey past achievements and look towards the future, with reference to the criteria of relevance, cost-effectiveness, efficiency and sustainability.

5. As the Organization went through its process of revitalization, it must be seen to be propagating models of industrial development that were relevant in a period of major political and socio-economic change. In that connection, the United Nations Charter itself clearly underscored the need to give a social dimension to the international economy. In a world of growing

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disparities, development efforts should not be called into question and UNIDO could have a key role to play. Economic progress and social justice were inseparably intertwined. Consequently, UNIDO had to pursue strategies that encouraged growth, employment and investment in people. Its new development objectives rightly emphasized equitable development and the development of human resources. The most precious resources of any country (or organization) were the skills and talents of its people or staff. The staff shared the vision of a new relevant UNIDO and hoped for greater sustainability, realizing that an effective and dynamic response to needs could only be assured through improved efficiency and enhanced cost-effectiveness. Those in turn derived from greater transparency, fuller accountability and closer teamwork.

6. The staff was conscious of the familiar threat of a further drop in the operational budget, following a restructuring that had demanded major sacrifices. Revenue continued to slump. With less staff than before, UNIDO did not seem to have reduced the breadth of its activities. It had not redefined its organizational tasks and critical mass was wanting in certain key areas. Staff requirements had not been fully identified. Despite the importance attached to teamwork, effective partnerships had been disrupted. Given the need to have people join in the pursuit of a common need or interest, the staff had noted the emphasis placed by the Director-General in the 1993 annual report on reducing hierarchy, decentralizing responsibility and promoting genuine partnership. For all its concern, the staff recognized the need for change and innovation, but the sole response to change could not be to reduce staff. The principle of people-centred development should apply at Headquarters. The staff wished to contribute constructively to the betterment of the Organization. Immediate prioritization of its activities was called for while economies to the detriment of staff did not contribute to a positive working environment. People must be used properly and real efficiencies achieved. Clearly time was needed and a period of organizational stability was essential to success. In that connection, he would point out that job insecurity inhibited innovation and caused people to play things safe.

7. An environment must be created where there were opportunities for the development of new skills and the acquisition of new knowledge. People should see their jobs as valuable, challenging and intrinsically rewarding, and should enjoy a sufficient degree of autonomy. Participation in a team meant regular interaction, open information-sharing and shared influence over decisions. Above all, there must be a sense of common purpose reflected in the commitment and interest of Member States and in the effectiveness and transparency of management so that staff could enter into a sense of commonality and help UNIDO fulfil its mission.

8. At the suggestion of Mrs. WIIG (Norway), the PRESIDENT said that the statement by the President of the Staff Union would be distributed to members for information.

9. Mr. CHEN Shiqiu (China) said that 1993 had been a year of great historical significance for UNIDO, marking many changes, both external and internal. The economic disequilibrium in the world had not changed: in the face of economic recession most Western countries had experienced great difficulties and their economic policies had turned inwards towards protectionism. The development of the developing countries had suffered accordingly. The flow of capital towards them had diminished or been restricted by the imposition of conditions. The creation of various regional economic groupings had introduced a further element of uncertainty. Despite a package deal struck in the General Agreement on Tariffs and Trade (GATT) negotiations, the developing countries still lived in a dangerous world economic environment and little progress had been made towards reducing economic disparities. As a result, the developing countries were counting more than ever on international economic assistance in order to link their own development to world development.

10. Since the fifth session of the General Conference, UNIDO had attempted to adjust its priorities and orientations and to develop staff policies more in line with the needs of Member States, as the annual report for 1993 (IDB.12/2) showed. The report itself was more concise and better targeted than its predecessors, and the Director-General's reforms were beginning to bear fruit. However, the financial structures of UNIDO had not really changed and the Organization still faced considerable constraints. The increase in contributions to IDF, showing that Member States were regaining confidence in the Organization, was encouraging. Genuine reforms could have a positive impact on UNIDO's future, provided they were followed through. China would support all Secretariat efforts in that direction.

11. Technical cooperation activities were of the highest importance, and it was alarming to note that the implementation rate for 1993 had dropped for the third year in succession. It was of great concern to China that the quality of technical cooperation had not improved. UNIDO's survival depended on the quality of its programmes, from which both donors and beneficiaries gained advantage. In that context, he had noted the introduction of the quality management system, which he hoped would be further developed and improved in the course of the biennium.

12. The fifth session of the General Conference had identified priorities for UNIDO's future activities. He also wished to stress the interesting results that had been obtained in investment promotion, which was essential to the industrialization of the developing countries. His own Government attached great importance to cooperation with UNIDO in that area and was planning an investment forum for south-west China in 1994.

13. The developing countries had always accorded the highest importance to economic and technical cooperation among themselves, and he was deeply concerned by the recent reduction of staff for that activity. Economic cooperation among the developing countries was one of the fields in which UNIDO could play a vital role. He therefore called upon the Director-General to further develop that activity and offered his country's full backing.

14. Finally, he asked that a report on the impact of the readjustment of staff and structures should be submitted to the Board at its next session.

15. Mr. OCHOA (Venezuela), speaking as Chairman of the Group of 77, said that its members were particularly happy with the measures taken by the Director-General with regard to the reorganization

of UNIDO and the rationalization of expenditures. They were convinced of the need to extend that rationalization to the home leave entitlements of Professional staff members. Various proposals were currently being discussed in that connection and there was a general feeling that more information was needed. He therefore requested the Director-General to provide information as soon as possible on the current practices of UNIDO, the United Nations and other organizations of the United Nations system, together with an analysis of the financial implications of the different options.

16. The members of the Group of 77 had noted with deep concern the lack of progress in the industrialization of the least developed countries and the low level of industrial development in Africa. They intended to submit draft resolutions on those issues. The Group also stressed the importance of UNIDO's contribution to the System-Wide Action Plan on Drug Abuse Control, on which it would also present a proposal for the Board's consideration.

17. Mr. BOJER (Observer for Denmark), speaking on behalf of the Nordic countries, supported the statement made by the representative of Greece at the previous meeting for the European Union. However, on behalf of the Nordic countries, he wished to take up the question of the relationship between quality and staff policy. The whole reform process might be jeopardized if attempts by Member States to intervene in personnel decisions led to results that differed from those intended by the Director-General. Member States could be consulted about staff decisions, but none should have a decisive influence on the staffing even of senior posts. If there were to be consultations about staff decisions, they should be at the initiative of the Director-General.

18. Mrs. MACHADO QUINTELLA (Brazil) said that one of the Board's tasks at the current session was to examine the Secretariat's response to the decisions and recommendations emanating from the fifth session of the General Conference. In that context, it had to be borne in mind that the world was going through a period of profound political and economic change, making a restructuring of the whole system of international organizations inevitable. UNIDO could not avoid that process and must endeavour to achieve more efficient utilization of its resources by setting itself more realistic goals. It was to be hoped that the Organization would recover the full confidence of the international community so that more resources would be available for industrial and technical cooperation programmes and projects. UNIDO must be both dynamic and flexible in order to excel in its own special field. Developing countries should be its major clients, universality and neutrality its guiding principles, and transparency its operational method.

19. Among the reasons for past failures had been lack of resources, unsatisfactory mechanisms for access to technology, the questionable quality of programmes and projects, and mismanagement. It was therefore all the more necessary to work still harder for the promotion of industrialization. In that respect, it was impossible not to establish a link between the mandate of UNIDO and the discussions by the United Nations General Assembly on the theme of an "agenda for development". Development must be a basic element in any discussion about a new international order.

20. The developing countries had repeatedly acknowledged that they themselves were basically responsible for promoting their own growth and welfare. However, the international community had perhaps an even greater responsibility in a world where crumbling ideological barriers were being replaced by increasing economic interdependence and integration. The renewal of the dialogue between developing and developed countries should play a catalytic role in creating a transparent and equitable international system. At the same time, cooperation with and among developing countries was essential in order to provide more stability for the ongoing process of globalization. A renovated UNIDO with revitalized capabilities and financial resources should be at the forefront of efforts to restore the truly participatory character of an international organization dedicated not only to industrial development but to development as a whole.

21. Brazil was fully aware of the enormous challenges and difficulties involved in restructuring such an organization as UNIDO. She approved the actions taken so far and commended the Director-General for the competence and dedication he had demonstrated in carrying out a most difficult task. She felt confident that the same efforts would be applied to tackling such other issues as decentralization, further cost-reduction and greater accountability. It was clear that UNIDO was now on the right track and it was to be hoped that the present session would mark the beginning of a new dynamism in the activities of the Organization.

22. Mrs. OK (Turkey) said that, during the short period since the adoption of the new policy framework for UNIDO at the fifth session of the General Conference, the Organization had made serious efforts to transform itself to meet the new priorities. Her delegation welcomed the new approach being adopted by the Director-General; however, considerable work was needed to fulfil the requirements of the proposed organizational policies. The new simplified senior management system needed to be made more functional. The system for officers-in-charge in the absence of senior managers needed to be worked out. Although her delegation wholeheartedly supported teamwork management, it wished to caution against delays in the decision-making process.

23. Turning to cooperation between her Government and UNIDO in the past year, she said that that cooperation included an inward-oriented technical cooperation programme with Turkish industrial research institutions and enterprises, and outreach training activities organized in Turkey for developing countries. Implementation of the programme was facilitated by the services of the UNIDO Country Director (UCD) in Ankara. Under the UNIDO programme in Turkey, a number of highly specialized research centres had been set up and foundations had been laid for the introduction of national quality systems. Technoparks had been set up in several cities and a very efficient subcontract exchange unit had been established at the Istanbul Chamber of Commerce. The in-plant group training programmes organized in Turkey had been very successful and additional programmes were now being organized. Turkey's special-purpose contribution for the implementation of eight training programmes in 1993 had amounted to about $350,000. Her delegation urged the Secretariat to make efforts to strengthen its capabilities for training, which constituted

cost-effective assistance for the least developed countries.

24. Her delegation welcomed UNIDO's country support strategies. It believed that the UCD programme should be demand-oriented and decentralized. Wherever possible, regional and subregional representation should be established. UNIDO should draw on all possible resources for financing its field representation. The UCD programme could be strengthened by increased redeployment of Headquarters staff to the field. Opportunities for the regional or subregional use of existing UCDs, particularly for developing countries, should be utilized.

25. The Turkish Government welcomed the recognition by UNIDO of the specific role played by ECDC/TCDC mechanisms in international cooperation in industrial investment and technology, and the integration of ECDC/TCDC into the Industrial Cooperation and Consultations Service within the Investment and Technology Promotion Division. Her Government was also pleased that the arrangements for setting up an IPS office in Turkey had been finalized.

26. The Turkish Government had financed a feasibility study on the establishment of an international centre for hydrogen energy technology. It was hoped that a report of UNIDO on the preparatory phase, outlining plans for the implementation of the project, would be presented to a meeting of experts as soon as possible.

27. Her delegation welcomed the proposal for a quality system for technical cooperation (see document IDB.12/8, para. 4). There was an increasing demand for ensuring the quality of technical cooperation in UNIDO projects in terms of concepts, inputs and development impact. Her delegation supported the Secretariat's plans for further action in that regard, and welcomed the adoption of a revised system for the assessment of managers and other staff and the proposal to award credit for teamwork.

28. Her delegation welcomed the efforts of the Director-General to improve the organizational and staff structure, and hoped that efficiency and productivity would improve as a result of the recent reshuffling of staff. It was also pleased that the terms of reference for organizational units of UNIDO had been finalized. Staff training was an important tool for enabling UNIDO to become a centre of excellence, and such training should be started forthwith. Efficiency, competence and technical skills should constitute the basis for new recruitment to the Organization, and those criteria should not be put aside in the interests of geographical balance. Full use should also be made of the sometimes underutilized potential of existing staff.

29. Mr. ARCILLA (Philippines) said that the year just passed was a milestone in the life of UNIDO. Having set out its new priorities, UNIDO was bravely proceeding with its programme of work. However, his delegation was struck by the large number of references in the annual report for 1993 to programmes not implemented owing to lack of funds or staff, cash-flow problems, difficulties arising from the financial situation, extreme resource constraints, and unpredictable future financial flows. In his introductory statement, the Director-General had again alluded to lack of financial resources as a major constraint in the implementation of programmes. The reason for the unpredictability of financial flows was that many Governments were faced with their own resource constraints. That fact alone should be reason enough for UNIDO to effect savings wherever possible.

30. In the context of consideration by the Group of 77 of a draft decision prepared by the Asian Group on cost savings on home leave travel, the Chairman of the Group of 77 had requested the Secretariat to provide certain information on the home leave travel of Professional staff. It was the understanding of the Asian Group that the information requested would be provided before the Board considered a draft decision on the matter. In April 1993, his delegation had drawn the attention of the Programme and Budget Committee and the Secretariat to a finding of the External Auditor that substantial savings could be effected through rationalization of the home leave travel entitlement of Professional staff. At the November 1993 session of the Programme and Budget Committee, it had again raised the matter, but had been told that nothing had been done about it. It had requested further information and expressed the Philippine Government's wish for cost-cutting measures on home leave travel to become effective at the beginning of the current biennium so that the savings generated thereby could be channelled to the more important area of field representation, and in particular to the UCD programme. Pending receipt of the information requested, his delegation had not been in favour of approving the adjusted programme and budget for 1994-1995. However, in a spirit of cooperation and on the basis of the commitment given by the Director-General to address the issue forthwith, it had decided not to block the consensus. At the fifth session of the General Conference, his delegation had again called for action to be taken. Yet still nothing had been done.

31. There was obvious resistance on the part of the Secretariat to cutting home leave travel costs, but representatives should not continue to ignore the matter. If the Secretariat could save money on official travel, why not on home leave travel? It had been suggested that more time was needed to study the issue, but it had been under study for years, and meanwhile thousands or millions of dollars were being spent unwisely.

32. Some delegations argued that the Organization had just been through a painful restructuring exercise, and that staff should not now be subjected to a further shock. His delegation did not think that staff who had been retained would mind being denied an unwarranted extraordinary benefit. Compassion for the staff concerned was misplaced, and should rather be directed at the suffering, hungry and dispossessed around the world. The change should be effected swiftly, to shorten the pain, and to avoid a rush of home leave applications before the end of the year.

33. It was argued that the measures proposed would not save the Organization much money. A few hundred thousand dollars might not be much money to some delegations, but for a country like his own, half of whose population lived below the poverty line, it was a lot.

34. It was suggested that the proposed measures would be bad for morale. Staff members whose morale would be affected by elimination of the

current practice should probably not be in the Secretariat in the first place, for a moral issue was involved.

35. The Secretariat had advanced arguments as to why APEX fares should not be introduced and why the present 80 per cent lump-sum option should be maintained. With regard to the argument that the lump-sum option required less administrative support, it would cost more to continue the present practice than to hire more administrative help. As for the question of the difficulty of changing discounted fare bookings, periods of home leave were determined in advance and bookings could be made in advance. Of course, if the staff member was not at fault, the Organization should pay any penalty charges for a change in travel schedule.

36. It had been argued that the difference between the cost of the air fare and the lump sum was used for other expenses incurred on home leave, such as car rental and hotel expenses. Yet nowhere was it stated that such expenses were to be covered by the Organization. The argument that the proposed change would make it difficult to recruit qualified staff would hold true only if offers of employment were coupled with a promise of extra cash when potential recruits went on home leave. Lastly, it was suggested that if APEX fares were introduced staff might appeal to the Administrative Tribunal. The outcome of such appeals might be a reversion to the status quo; but they would also draw the current practices to the attention of the Administrative Tribunal and of the world.

37. His delegation's only desire in raising the matter was to promote UNIDO's interests and to enhance its image. His delegation was not seeking to deprive staff of an entitlement: it was merely appealing to their sense of commitment. He urged delegations to support his delegation's attempts to assist the management in instituting the proposed cost-cutting measures, for it was the Member States that had the final say on the matter. As for the arguments that entitlements must be harmonized within the United Nations system, there was no such thing as a system-wide arrangement. The existing arrangements differed from organization to organization. UNIDO set an example in the swift implementation of structural reform, and should also set an example in the area of home leave entitlements.

38. Mr. HELLER (Mexico) said that the current session of the Industrial Development Board, the first since the implementation of the organizational and staff reforms initiated by the Yaoundé Conference, provided an opportunity to review progress made in the reorganization of UNIDO. In a climate of economic uncertainty, UNIDO had a major responsibility to strengthen international industrial cooperation.

39. The organizational stage of the reform process was now in its final phase. Restructuring on the basis of simplified working arrangements and a sharper substantive focus would lead to greater efficiency and effectiveness in UNIDO's substantive activities. New organizational units had been formed to meet the growing need to promote the private sector, the assimilation of new technologies, to seek small and medium-sized enterprises and strategic management and innovative mechanisms for financing industrial investment.

40. In what was inevitably a transitional phase, UNIDO needed the continued political and financial support of Member States in order to ensure the success of its efforts. The reform of UNIDO coincided with fundamental changes in technical cooperation arrangements and with the continued vulnerability of the Organization's financial base, on which its technical cooperation activities and the performance of its other tasks depended. His delegation considered that the structure of the operational budget and its relationship to the regular budget should be revised to facilitate the harnessing of additional financial resources for the development of the developing countries and to promote innovative financial mechanisms for industrial modernization programmes.

41. As part of the redefining of UNIDO's objectives, particular emphasis had been placed on the efficiency of technical cooperation activities. In that connection, document IDB.12/8 referred to a proposal concerning the service management process which included guidelines defining the responsibilities and procedures applicable to the different stages of the service management process. His delegation supported the adoption of those guidelines. It was convinced that, with the measures adopted by the Secretariat to improve technical cooperation management and procedures and increase the impact of UNIDO's activities, the process of revitalization of UNIDO was moving in the right direction.

42. Mr. ONSY (Egypt), referring to the annual report of UNIDO for 1993 (IDB.12/2), said that obvious efforts had been made to implement the decisions adopted by the General Conference concerning the presentation of information. Nevertheless, more attention should be given to improving the way policies were presented and information was provided, particularly in progress reports and documents made available to meetings of the policymaking bodies. That would have a positive effect on Member States' response to UNIDO's decisions and would facilitate consultations between the Secretariat and Member States.

43. His delegation had noted how poorly the developing countries, especially the African States, were represented in the reorganized staff structure, in both senior and junior posts. That ran counter to the principle of equitable geographical distribution. In his delegation's view, many developing countries possessed candidates with the requisite qualities, and steps should be taken as soon as possible to correct the situation.

44. Regarding technical cooperation activities implemented in 1993, the statistics provided in the annual report showed a clear imbalance in project components, to the detriment of the industrial development concerns of the African countries, especially the Arab States, and particularly in the area of human resource development. More attention needed to be given to identifying national strategies and integrating them in UNIDO's future policies. In the implementation of industrial projects and programmes, efforts should be made to work in conformity with the national mechanisms in place.

45. Coordination between UNIDO and other agencies within the United Nations system as well as regional development institutions in project formulation and execution was important in order to ensure that maximum benefits were derived from available resources. His delegation appreciated the rapid

steps taken to establish a system to guarantee the quality of UNIDO's technical cooperation activities, as outlined in document ID8.12/8. UNIDO's response to the needs of developing countries should be one measure of assessing the quality of the Organization's services. With UNIDO viewed as a service organization, greater emphasis should be placed on identifying Member States' requirements in a more detailed manner. As the leading organization responsible for industrial development, UNIDO could, through ongoing dialogue with Member States, give a clearer picture of regional orientations and trends relating to those needs. Continuing consultations between donors and beneficiaries would without doubt contribute to the devising of a more precise strategy for the areas of work concerned. It was important that information should be periodically made available on progress achieved in the development of quality mechanisms. It was also important to study possible ways of strengthening field representation as a means of monitoring implementation and establishing direct communication with beneficiaries, bearing in mind the insufficient resources currently earmarked for the UCD programme, whose operation should be extended further within the Arab world, where there were currently only three UCDs.

46. Mr. MAYRHOFER-GRUNBUHEL (Austria) said that UNIDO was to be congratulated on the reform process that had taken place. Now that the main structural changes were over, the reassignment of personnel largely completed and the staff acquainted with their new tasks, attention should be focused on making the new system workable and efficient. That task depended also on a number of psychological factors. Staff motivation, communication and cooperation were widely regarded as key factors in the successful performance of organizations in the private sector. Adequate attention to such aspects could make a positive contribution to UNIDO's future success. It was gratifying to note that both the Director-General and the staff representative had addressed those issues in their statements.

47. In order to project a favourable image of the Organization to the outside world, the use of external consultancy services could be beneficial. With regard to the modalities for the recruitment of new staff, the highest standards of professionalism and competence should be the first considerations, and his delegation wished to encourage the Director-General to take decisions on the matter with as little outside interference as possible.

48. While the streamlining of UNIDO's activities and structure and the redeployment of its forces were necessary prerequisites for the Organization's successful operation, other factors also affected UNIDO's performance. Considerable potential still remained untapped in the area of cooperation with international financial institutions, and his delegation welcomed the Director-General's initiatives to bring UNIDO into closer contact with that sector, where large funds were administered. If it concentrated on activities where it could make optimum use of its comparative advantages, the Organization would be increasingly able to compete successfully with other agencies for such funds.

49. With regard to the annual report, his delegation noted with satisfaction the emphasis placed on environment-related activities and improved coordination in that connection, both within and outside the Organization, as well as on related staff training. All projects having an impact on the environment should contain components dealing with its protection and sustainable use. The establishment of a time-frame and specific performance indicators might be useful in measuring progress in that connection.

50. The increased emphasis placed on women in development, particularly through projects focusing on their training and skill enhancement, was commendable. Given the multiplicity of women's responsibilities, his delegation appreciated the efforts to combine their training in productive capacities with training in other, more general areas, such as literacy and health care.

51. His delegation had consistently supported the orientation of UNIDO's activities towards developing small and medium-sized private enterprises. In view of UNIDO's difficulties in reaching small and dispersed entrepreneurs at the enterprise level and even at the institutional level, a focus on the policy level could prove more appropriate. UNIDO should, in cooperation with Governments, devise industrial development strategies that not only covered priority areas for services to be provided by the Organization but that encompassed the industrial sector as a whole.

52. Regarding UNIDO's field representation, the considerable cost overrun in the UCD programme budget for the biennium 1992-1993 was a cause for concern. The steps undertaken to maintain the level of field representation, particularly the redeployment of staff from Headquarters to the field, were commendable. Such redeployment on a rotational basis could increase the overall quality of UNIDO's services, and field assignments should be made an integral part of UNIDO's curriculum.

53. Regarding the reorganization of UNIDO, given the similarity of the functions and structures of other organizations within the United Nations system, the approaches adopted by them could be of interest in the UNIDO reform process, in particular the efforts of UNDP and the United Nations Children's Fund (UNICEF) aimed at reducing the political content of meetings and the amount of documentation produced.

54. Mr. TANAKA (Japan) said that his delegation strongly supported the UNIDO structural reform plan adopted at the fifth session of the General Conference, in particular the adjustment of the top-heavy structure of the Organization through the abolition of the five posts of Deputy-Director General. That decision was the first step in the long-term process of the organizational reform of UNIDO, crucial to whose success were the issues of staff restructuring and improvement of the quality of UNIDO services. His delegation appreciated the Director-General's efforts to those ends and understood the difficulties involved. The first round of restructuring had been completed, but much still needed to be done and, despite the introduction of the quality management system, the Organization continued to function less than optimally. It was important for UNIDO to establish a clear framework of systems and procedures in order to ensure timely and effective delivery of its services, thereby contributing to the recovery of its credibility with Member States and to improving its overall image.

55. Regarding the Director-General's annual report, his delegation had noted that the total amounts of the Industrial Development Fund and trust funds had fallen for the first time in 1993, mainly as a result of the world-wide recession and the shift in United Nations resources to peace-keeping and humanitarian activities. It was important for UNIDO to maintain close contact with Governments of Member States and for information to be disseminated to donor countries. Since UNIDO's activities were not widely known in developed countries, it was essential for the private sector to recognize the Organization's expertise and technical capabilities. Sustainable industrial development could not be fully realized in the developing countries without the participation of the private sector in the developed world. Also, Governments must be made aware of the advantages that cooperation with UNIDO in the field of industrial development had over bilateral official development aid.

56. His delegation considered UNIDO field representation and services to be an important aspect of the Organization's future activities. Field representation should be reviewed and coordinated within the context of the current reform of the United Nations system as a whole. Enhancing the quality and increasing the number of UCDs were of crucial importance. Assignment to field offices on a basis of rotation should be an integral part of staff career development and promotion, and it was essential for host countries to contribute financially to the allocation of UCDs, in view of the financial crisis currently facing the Organization.

57. Mr. JAMSHIDI (Islamic Republic of Iran) said that, in spite of technological innovations and the globalization of industry, the technological gap between the developed and the developing countries was unfortunately, and inevitably, widening, and if it was to be narrowed it was imperative that industrial growth and development in the developing countries be accelerated, particularly through industrial investment. Such investment should be de-monopolized through comprehensive cooperation among all countries with potential capability in terms of manpower and natural resources. UNIDO could play an important role in achieving that cooperation if there were fundamental changes in its structure and priorities along the lines laid down in the Yaoundé Declaration. In order to accelerate the achievement of UNIDO's basic objectives, which had been reconfirmed in the Declaration, it was incumbent upon all Member States to steer the Organization's cooperation strategy towards narrowing the technological gap between nations. An effort should be made to increase global production, overall demand and purchasing power by establishing basic investments in countries capable of absorbing them and in countries which had the necessary manpower and natural resources, as well as by creating a climate in which recipient countries could make appropriate and equitable use of UNIDO's facilities and capabilities.

58. The Islamic Republic of Iran was pleased to note that UNIDO's restructuring process had reached its final stage, with the emergence of a more efficient and more reliable Organization better able to respond to the needs and ever-increasing and changing demands of Member States. It was to be hoped that the Organization would be enabled to work more effectively in implementing its constitutional mandates, particularly the acceleration of industrial development in the developing countries.

59. The role of Governments in the industrialization process had also undergone changes; Governments had direct responsibilities with regard to the creation of favourable infrastructures and facilities for the promotion of industrialization, with the private sector playing a more active role. Governments also had to be active in matters regarding the environment, in the transport of goods across borders, and in formulating basic economic and trade criteria within a global framework. The Islamic Republic of Iran, which was passing through a post-war economic reconstruction phase, was not only rebuilding and rehabilitating industries that had been destroyed but also needed to establish and develop modern industries, as well as clean and non-polluting industries.

60. The Government of the Islamic Republic of Iran and UNIDO had agreed to establish a new form of cooperation in a memorandum of understanding signed during the Director-General's visit to Tehran in January 1994. Cooperation would take place in the following areas: formulation and presentation of environmentally-friendly industrialization programmes, including the reconstruction of polluting industries; the promotion of investment-oriented activities and policies, particularly at the regional level; the formulation of plans and projects to improve the competitiveness of industries, particularly with regard to quality guarantees and the encouragement of agricultural industries and human resource development; privatization, the development of small- and medium-scale industries, the rehabilitation of industries and the promotion of industrial exports; the implementation of technical cooperation projects in the field of environmentallysustainable industrial development; and cooperation in implementing programmes relating to the prevention of drug abuse.

61. Turning finally to regional cooperation, he said that the Islamic Republic of Iran proposed that a regional UNIDO office be established, preferably in Tehran, which could also perform the role of an Industrial Promotion Service for the States of the region.

62. Mr. JAMAL (Qatar) expressed satisfaction with the content of the annual report for 1993, but expressed the hope that in future it would be presented in a more precise and transparent fashion, with summaries of the Organization's main activities broken down according to sector and geographical region of implementation, and in a way that clearly showed how the Organization's activities compared with those of the year before.

63. He welcomed the progress UNIDO had made in project cooperation with the Arab region, especially in terms of technical cooperation programmes, but regretted that there were still gaps in technical support activities at the project and programme level. The annual report showed that the financial situation of the Organization continued to give cause for concern, and had a detrimental effect on the implementation of programmes and projects; the rate of implementation was not satisfactory, and certain elements of expenditure had been frozen. The proposals made by the representative of the Philippines regarding savings in travel costs and other items of budgetary expenditure merited attention because

they would reduce UNIDO's overall level of expenditure.

64. He expressed the hope that UNIDO's new staff structure and organizational chart, which had been the focus of so much attention within the Organization, would serve as a basis for its revitalization, especially with regard to its support for industrial development programmes in the developing countries and its ability to respond more promptly to requests made of it.

65. The past year had seen cooperation between his country and UNIDO in a number of areas. He wished to pay tribute to the Director-General for his efforts to improve the Organization's performance following the reform and restructuring programme adopted at the fifth regular session of the General Conference held in 1993 at Yaoundé, Cameroon.

66. Mr. LEE (Republic of Korea) said that the initial stage of the UNIDO restructuring exercise was complete and that a new, more efficient and leaner organizational structure was now in place. He expressed his appreciation for the Director-General's painstaking efforts to achieve budgetary savings and a reduction in staffing levels; at the same time, he commended the staff of the Secretariat for their individual and collective endeavours and for their full cooperation in meeting the challenges of the reform process. He welcomed the speed with which General Conference resolution GC.5/Res.18 had been implemented, and expressed the hope that the fine-tuning process would not be unduly prolonged so that the momentum generated could be maintained. With the future policy framework and the new staff and organizational structure in place, UNIDO's next important task was to make the new arrangements function properly and effectively so as to enable the Organization to achieve its newly defined objectives and play its further strengthened role in the promotion of industrial development in the developing countries.

67. His delegation shared the view that UNIDO's reform required not only structural changes but also changes in administration and management procedures. It was impossible to overemphasize the importance of coordination and increased teamwork, and it was the view of his delegation that closer horizontal coordination between each of the organizational units of UNIDO should be ensured in order to promote a smoother work process and increase accountability and transparency. The Director-General had taken a step in the right direction in specifying coordination requirements between interlinked units.

68. The proper placement of staff in the new organizational structure was one of the most important elements in the reform process. Existing staff members should be redeployed, taking into account their aspirations and qualifications, but there should also be gradual selective recruitment of outside qualified experts in order to obtain the expertise, experience and innovative technical know-how that were critical not only in strengthening important areas where UNIDO currently lacked adequate expertise but also in supporting the Secretariat in the new areas of UNIDO's activities. The highest standards of efficiency, competence and integrity, as well as the principle of wide and equitable geographical representation, should apply in the recruitment of urgently needed staff. In particular, due consideration should be given to candidates from countries which were unrepresented or underrepresented in the Secretariat, while at the same time taking into account their ability to contribute to the work of UNIDO.

69. He welcomed the Secretariat's intensified efforts, as requested by the Board in its decision IDB.11/Dec.8, to set up a quality management system for technical cooperation activities and to define the quality standards and methods for assessing relevance, cost-effectiveness and sustainability. Such a system required a clear statement of the Organization's quality objectives, the full support and commitment of senior management, and a system of incentives and sanctions that was essential to staff motivation and indispensable to an effective quality management system. His delegation hoped that the quality management system would be completed and fully operational as soon as possible, so as immediately to redress the dramatic decline in project effectiveness.

70. Recognizing the urgent need for UNIDO substantially to strengthen its field presence, his delegation attached great importance to its decentralization through the expansion of its field representation at the regional and subregional levels. Its field representation should in future involve combined activities in the promotion of investment, technology transfer and human resource development; his Government would support the establishment of regional or subregional offices of UNIDO with such combined functions, and was prepared to contribute to the realization of such a scheme.

71. He welcomed the assurance that the regular budget cash resource base was improving, but noted with concern that the difficulties associated with the regular budget cash flow and operational income had continued during 1993. He welcomed the Director-General's continued effort to enhance fund mobilization and obtain additional resources from donor countries, non-governmental organizations, industrial associations, financial institutions and public and private enterprises in parallel with cost reduction efforts. He also welcomed the Director-General's examination of possibilities for further savings and rationalization of expenditure, and shared the view that the cost reduction efforts should include, as a matter of principle, rationalization of travel expenses. He supported a request made by the Chairman of the Group of 77 for the Secretariat to provide more information on the basis of which the Board could discuss the matter at a later stage in a more efficient and constructive manner.

72. His delegation was pleased to note that, in spite of a decrease in the contribution of some major donors, the Secretariat had been able to maintain the positive upward trend in IDF, and to counterbalance the reduction of traditional resource bases through additional contributions.

73. His delegation warmly welcomed the organization of monthly briefings for heads of regional groups and briefings for individual regional groups.

The meeting rose at 6.10 p.m.

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United Nations Industrial Development Organization

# Industrial Development Board

Twelfth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 10 May 1994, at 10 a.m.

President: Mr. ARCILLA (Philippines)
later: Mr. WEJTKO (Poland)

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The meeting was called to order at 10.10 a.m.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1993 ON THE ACTIVITIES OF THE ORGANIZATION (continued) (IDB.12/2; IDB.12/CRP.2)

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1993 (continued) (IDB.12/8; IDB.12/CRP.1)

FUTURE POLICY FRAMEWORK OF UNIDO - ORGANIZATIONAL AND STAFF STRUCTURE (continued) (IDB.12/5; IDB.12/CRP.4)

OPERATIONAL ACTIVITIES FOR DEVELOPMENT (continued) (IDB.12/9)

1. Mr. BAKSHI (India) said that his Government attached great importance to UNIDO's work, particularly following the Yaoundé Conference, and had been glad to note that the Organization had emerged from a serious crisis in which its credibility had been eroded. It wished to express its appreciation for the reforms carried out and for the Director-General's intention to introduce a new work culture, greater accountability and improved quality. His Government looked forward to participating actively in all discussions concerning the continued improvement of UNIDO and believed in the importance of regular and comprehensive briefings, welcoming the suggestion that the Director-General might hold monthly briefings for different geographical groups.

2. The annual report for 1993 was an improvement over those of previous years, although further efforts needed to be made to improve its form and content. His Government welcomed the frank assessment of the quality of UNIDO projects in chapter II and the efforts under way to improve quality management. But it was deeply concerned about the decline of 9.4 per cent in technical cooperation delivery to an amount in United States dollars equivalent to that of 1987. The need to industrialize the developing countries had not declined - on the contrary. India had noted that projects were to be executed more frequently at the national level, but believed that greater efforts should be made to mobilize funds for industrial cooperation among Governments, financial institutions and the private sector. It hoped that the Industrial Cooperation and Funds Mobilization Division would take up that challenge and called upon Member States and financial institutions to make greater use of UNIDO's capacities in industrial development and restructuring.

3. His Government had continued its economic reforms aimed at achieving strong and sustainable growth. Dramatic progress had been made over the past two years, with foreign currency reserves multiplied by 15, exports increased by 21 per cent

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and the trade deficit virtually wiped out. The exchange rate of the Indian rupee had been stabilized and foreign investment considerably increased; overall economic growth had amounted to 4 per cent for the past two years, while inflation and unemployment had declined.

4. His Government had taken steps to stimulate industrial growth during the current year by reducing income tax and customs tariffs, removing import duties on raw materials and components and introducing specific measures to stimulate growth in a large number of major industries. Tax incentives had been increased to encourage donations for scientific research and development. The agricultural sector had always been strong and the climate for investment in it had vastly improved.

5. As part of the integrated investment programme being implemented with UNIDO, an investment forum, "INVESMART", had been held in New Delhi the previous month. Special emphasis had been laid on investment and technology transfer to small and medium-sized industries in order to improve efficiency and competitivity and create employment. Some 250 projects in five industrial subsectors had been identified for promotion. The forum had been attended by over 200 foreign participants and a large number of Indian businessmen. The follow-up to it was most encouraging. An investment and technology forum would be held in India towards the end of the current year.

6. His Government proposed to evaluate the experience gained in India and make suggestions for improving investment forums. It could already suggest that UNIDO's network of IPS offices should be strengthened and revitalized, that its data bank on potential investors should be shared more freely with interested developing countries and that individual business meetings should be organized in such a way that participants actually carried out business negotiations.

7. As a recipient of UNIDO's technical cooperation activities, India was benefiting from a large number of projects implemented by the Organization. As a donor, its contribution to the general-purpose convertible-currency segment of the Industrial Development Fund was one of the highest, a fact which brought out its full belief in the key role played by the IDF in supporting industrial growth.

8. New areas of cooperation with UNIDO were emerging, and India would greatly welcome UNIDO's assistance in the protection of the environment and the transfer of clean technologies. It was currently discussing a major project aimed at reducing pollution in the neighbourhood of the historic Taj Mahal, which was threatened by damage owing to air pollution. It would welcome further support for such projects, which it felt could also be beneficial in other parts of the world in which rapid industrial growth threatened the cultural heritage.

9. A joint India-UNIDO working group had recently been set up to work out recommendations for future cooperation, and that approach could lead to a long-term framework of cooperation between India and UNIDO with a clearly defined and coherent programme and strategy.

10. India welcomed the efforts made to improve the quality of UNIDO's technical cooperation activities. It must be realized, however, that quality could not possibly improve overnight. While mechanisms for improving quality should be introduced, the needs and limitations of policy makers in beneficiary countries should also be taken into account. Guidelines for the improvement of quality should be simple and easy to understand. They should be realistic and take into account the infrastructure and information facilities in recipient countries. The Secretariat should hold regular consultations with both donor and recipient Member States about issues related to quality management.

11. Document IDB.12/5 and the Director-General's introductory statement to the Board showed that considerable progress had been made in revitalizing and reforming the Organization. India hoped that UNIDO would now concentrate on delivering high-quality technical cooperation and wished to see the best use made of existing staff resources and increased use of qualified personnel from developing countries in the senior levels of the Secretariat.

12. With regard to the specific item of home leave, his delegation believed that UNIDO should make bookings at the lowest available rates. The lump-sum option of 80 per cent in the Staff Rules should be carefully reviewed by the Secretariat in consultation with other specialized agencies and with staff representatives with a view to achieving the greatest economy. It hoped that appropriate proposals would be submitted rapidly and implemented by the end of the year.

13. India had noted UNIDO's efforts to coordinate its field representation with that of the United Nations system as a whole and looked forward to receiving proposals for that purpose. It hoped that UNIDO would participate actively in meetings with UNDP concerning the relationship between Resident Representatives, Resident Coordinators and UNIDO field staff.

14. Mr. DAHAL (Observer for Nepal) said that the challenge facing UNIDO at the moment was to promote the industrialization of all the least developed countries. Their economic situation was not encouraging: the real average per capita growth rate of GDP was only 0.1 per cent, and many countries were experiencing negative growth. Action was urgently needed to implement the plans designed to speed up development in the least developed countries, and in particular the recommendations of the Yaoundé Symposium on LDCs. The LDCs for their part should adopt appropriate micro-economic policies to promote the efficiency and competitivity of their industrial sectors, and bilateral and multilateral cooperation should support those policies through human resource development, the transfer of technology and the sharing of information.

15. To attain those goals Nepal itself had recently adopted new industrial and foreign investment policies based on liberal principles. The Government was acting to cope with the global policy of liberalization. Prominence was being given to the role of the private sector in the industrialization of the country. Due regard was being paid to the role of foreign investment and the transfer of technology in promoting industry and in giving the country access to international markets. The Government was committed to a policy of non-interference - private sector investment had announced a series of measures to promote export-oriented industries and industries producing substitutes for imported products.

16. Nepal was making great efforts to restructure its industrial and technological base, but its acute shortage of resources was hampering it severely. It suffered mainly from a lack of skilled manpower, adequate investment resources and technology and hoped for international support to overcome those deficiencies. UNIDO could be of crucial assistance to it in generating such support from both bilateral and multilateral sources.

17. His country welcomed the assistance provided to it by UNIDO in the organization of an investment forum in 1992, the development of industrial data systems and the strengthening of analytical capacities at its standards institute, and also the continuing support it provided in industrial pollution control and the development of agro-industries. It placed high hopes on the impact which the new UNIDO Office in Nepal would have on industrial development.

18. It was in fact only through industrialization that poverty could be overcome and the environment protected. UNIDO's work was therefore of the utmost importance in promoting global economic betterment with a special focus on the LDCs.

19. Mr. YESUFU (Nigeria) expressed his country's appreciation for the annual report and commended the Director-General on his efforts to restore confidence in the Organization. His country hoped that, as part of the process of reform, efforts would be made to recruit competent professionals from Africa and action taken to meet the special needs of the African continent. It was satisfied with the progress made in meeting the goals set by the Organization in spite of current financial constraints and hoped that UNIDO would continue to serve as a centre of excellence and a source of information on development.

20. Recent trends in the world economy seemed to bode well for UNIDO's goal of promoting industrialization in the developing countries. The gradual recovery in the economies of the industrialized countries would, if sustained, be welcomed by African countries, although they would be able to reap the benefits of that recovery only if helped to restructure their own economies. They had solemnly undertaken to make their industrial sectors competitive and to expand the role of the private sector in the industrialization process, and they wished once again to request the international community to commit additional resources for industrial development in Africa.

21. Nigeria was particularly interested in the new challenges arising from the conclusion of the Uruguay Round. The elimination of trade barriers would benefit African development only if the present overwhelming debt burden was lifted. The debt burden hampered human resources development programmes and institutional capacity building. Nigeria urged UNIDO to consult multilateral financial institutions and creditor countries with a view to finding approaches that would reduce the impact of the debt burden on the industrialization of the developing countries.

22. The Second IDDA constituted the most important framework for speeding up the industrialization of African countries. African Governments had undertaken to create the climate required to foster initiative and private enterprise and their efforts were being complemented by action for subregional and regional economic integration. The main obstacle that the First IDDA had come up against was the insufficient inflow of resources into Africa. Nigeria wished to urge its partners in development and the international community to intensify their cooperation with Africa in order to ensure the success of the programme and hoped that UNIDO would continue to mobilize support for it.

23. The quality management system of UNIDO was still at the centre of the debate concerning the improvement of its technical cooperation activities. His country supported the suggestion to focus on the quality of projects from the design to the implementation stage. That approach should not be considered as an end in itself, however; the different levels of development in Member States should be borne in mind in project evaluation.

24. With regard to operational activities for development and strategies for coordination within the United Nations system, Nigeria wished to stress the need to strengthen technical and other support activities within the Organization, so as to enable it to provide the developing countries with the assistance they needed in implementing their development projects. It welcomed the recent trends in its cooperation with UNIDO on projects in Nigeria and, to demonstrate its interest, had paid the counterpart contribution on those projects and looked forward to their early completion. It wished to see UNIDO's role in Nigeria reinforced and hence was interested in its field representation in the country. Its private sector was vigorous and deserved more active support from UNIDO, support which could best be provided by a strong field office. It looked forward to the establishment of regional offices to coordinate UNIDO activities in Member States.

25. Finally, his country was fully committed to strengthening cooperation with UNIDO, for it fully appreciated the Organization's valuable contribution to its industrialization process.

26. Mr. FRANÇAIS (Observer for UNDP) wished first of all, on behalf of its Administrator, to express UNDP's great interest in UNIDO's activities. Those activities, naturally, were being carried out in the context of the reforms proposed by the Director-General and approved by the General Conference the previous year, but also in the wider context of the reforms engaged in by the United Nations, at the request of its Member States and at the instance of its Secretary-General, to adapt the Organization to the new international environment.

27. UNDP was also affected by the reform process. The challenges facing the world today, the increase in tensions and imbalances and the need for appropriate responses called for changes and reforms which UNDP could not afford to ignore. The changes were called for by the changes in the world. It was more imperative than ever before to tackle poverty and social exclusion, the destruction of resources and the environment and, generally speaking, all the factors that contributed to aggravating social tensions and accentuating civil and international conflicts. The changes were also called for by the expectations of the international community, which hoped that the entire United Nations system would be shaped more closely into a powerful and effective instrument at the service of peace and development. It was more necessary than ever before that the United Nations and the institutions cooperating with it work together to attain the global objectives set by the international community and

that their efforts be reflected at the grass-roots level by coherent and visible activities.

28. Those two requirements were at the basis of the reforms which the new Administrator intended to make, reforms mainly aimed at refocusing UNDP activities on the concept of sustainable human development and at improving the services it offered to the United Nations system through its network of field offices.

29. The three main objectives to be attained through the reorganization of its work were therefore, firstly, that of significantly strengthening cooperation for development by transforming UNDP into a centre for new ideas that would be recognized for the quality of its conceptual work, secondly, that of serving the United Nations system by uniting all its organizations around the shared project of sustainable human development and, lastly, that of responding to the most urgent needs of the countries they served, by concentrating and targeting UNDP activities on the areas most likely to produce the changes hoped for.

30. It seemed important to bring together the whole United Nations system in a joint effort to prepare such a major project of sustainable human development. UNDP had therefore recently contacted the principal specialized agencies, including UNIDO, and proposed that a joint working group be set up to identify potential areas of cooperation and to define the bases for a new partnership. The Administrator had also discussed the matter with the heads of many specialized agencies at the recent meeting of the ACC.

31. Pending the creation of such a working group, it seemed clear that cooperation with UNIDO might be carried out at three levels. First of all, at the conceptual level, global problems might be analysed and possible responses identified in the context of further thinking on the questions discussed in the UNDP annual report on human development. Secondly, at the operational level, the frameworks and processes which would enable the conceptual approach to be given concrete form at the national, regional and global levels might be formulated through missions for study, consultation or formulation of strategies which might be financed by technical support at the programme level. Thirdly, at the level of traditional technical cooperation, operational programmes might be implemented, including the mobilization of expertise and transfers of technology with a view to giving practical effect to the general approach in the areas which were considered most critical and whose financing would probably fall increasingly into the framework of cooperation agreements signed by national authorities before the programmes were carried out.

32. Such a partnership should naturally cover UNIDO's fields of expertise, those in which it was in the best position to make its contribution to the project. It would, of course, be for the proposed working group to identify the specific areas in which such an approach might be developed. UNDP had in mind in particular the areas in which, on account of industry's place in the world economy, its leading role in bringing about changes in the processes of growth and in social changes and the consequences it had on the environment, employment and ways of life, it would be desirable to discuss its contribution to sustainable human development. Such areas might, at the conceptual level, involve global and future-oriented thinking on the role and place of industry in the world and might, inter alia, include the identification of products and technologies holding promise for the future, the phenomena of industrial delocalization, the processes of restructuring and internationalization of industry and their effects on employment.

33. At the operational level, it might be considered that UNIDO could participate actively in national planning or programming exercises likely to be undertaken to support the aim of sustainable human development, exercises in which industrialization programmes and processes could be studied from the point of view of the priorities set for sustainable human development, but also from that of their social consequences and their effects on the environment. At the technical cooperationl level, UNDP hoped that the approach would be as practical as possible with the objective of identifying and developing certain coherent modules for every field of cooperation agreed upon, modules of a sort that could be integrated, to varying degrees and according to needs, into the sustainable human development plans and programmes which might be promoted at the national level.

34. For example, such modules could cover implementation of the recommendations of Agenda 21 concerning industrial pollution, the preparation and implementation of industrial policies accompanying sustainable human development for the attainment of priority social objectives in areas such as those of food, housing, health or the identification and promotion of technologies and of alternative production processes in the light of the priorities of sustainable human development.

35. All those examples of cooperation were, of course, no more than theoretical illustrations of possible activities for sustainable human development which the proposed working group would be called on to identify. They did, however, illustrate the nature of UNDP's concerns while suggesting possible directions for future cooperation.

36. Mr. CHAOUCH (Tunisia) expressed his delegation's support for the ideas and proposals contained in the annual report of the Director-General for 1993. The need for reform should not obscure the needs of the developing countries, especially in Africa and in the Arab world. UNIDO's expertise should be raised to a level where it would enable enterprises in those countries to face up to international competition. In the light of ongoing changes in the international economy, the developing countries were anxious for the success of UNIDO's restructuring effort and of its drive for increased efficiency. In the new environment for international trade, and with the establishment of the International Trade Organization, activities for industrial development should be coordinated and adjusted to the new international guidelines governing trade in goods and services. In addition to their quantitative needs for investment development, the developing countries were also urgently in need of qualitative action to upgrade their existing industrial potential and enable them to achieve international efficiency. To ensure that its industrial development policies were pursued economically and effectively, UNIDO should endeavour to coordinate and negotiate them with other specialized agencies, such as the new ITO.

37. Mr. KRAMER (Netherlands) associated his delegation with the statement made by the

representative of Denmark on behalf of the Nordic Group. The entire reform process could be put at risk if attempts by Member States to intervene in personnel decisions were to produce results different from those intended by the Director-General. Any consultations which took place with Member States concerning personnel matters should be primarily at the initiative of the Director-General. Such consultations should be informative in character, with the aim of improving the quality of the staff. The staff were UNIDO's most important asset, and staff quality should be its first priority.

38. Mr. PUTHO (Thailand), referring to UNIDO technical cooperation activities in 1993 (IDB.12/8), urged the Secretariat to emphasize the quality standards of technical cooperation projects, with an eye to their relevance, cost-effectiveness and sustainability, in the terms defined by the fifth session of the General Conference. At the moment, project documents were often diffuse and difficult for the recipient countries to understand, and project approvals were taking far too long. The delegation of authority for project approval should be streamlined in order to shorten the approval process, and projects should be implemented on time, as desired by the recipient countries.

39. Turning to the future policy framework of UNIDO, and its organizational and staff structure (IDB.12/5, IDB.12/CRP.4), he noted with appreciation the considerable progress made in the restructuring of UNIDO. His delegation fully supported the changes in the organizational structure, as well as the reform of administrative and management procedures since the fifth session of the General Conference. Once the process of revitalization was complete, he hoped the Organization's potential would be further developed for the benefit of Member States. The idea of bringing in new blood to the Organization was to be welcomed, as long as the principle of ensuring competence, efficiency and integrity was observed by the Secretariat, along with the principle of equitable geographical distribution at the Professional levels and above.

40. With regard to operational activities for development (IDB.12/9) he commended the Secretariat on the success of several activities. He was concerned, however, at the significant cost overrun which had occurred when the administration of UCD offices had been transferred to UNIDO in 1989. The question of the UCD programme should be brought to the attention of UNDP, with a view to its reconsidering its financial support for UNIDO, so that UCD posts could be maintained at the current level. He urged the developed countries to step up their support to JPOs in the developing countries and to cooperate fully with the UNIDO Secretariat in offsetting the negative impact of income shortfalls. As for the question of further cost reductions in the Secretariat, he hoped the Director-General would rationalize the system of home leave entitlements for Professional staff members, with a view to making savings. A draft decision had been tabled by the Asian Group to that effect.

41. Mrs. GRADIN (Sweden) said that although it was much too early to judge the progress of the administrative reform over the past few months, her delegation was pleased with what it had seen so far and would encourage the Director-General to continue on his course. The annual report for 1993 was a massive document, reflecting the amount of work which had gone into it. She hoped that next time it would appear in a more concise and analytical form. On the question of evaluation (paras. 15-19), she expressed concern at the sharp decline in the quality of projects, especially at a time when UNIDO was called upon to display increased effectiveness and efficiency. She could not accept the explanation proffered for the slump in effectiveness, namely, that the programmes had been designed before the shift in policy towards private-sector development. The other reasons referred to in the report had certainly played a more decisive role. The erors made were typical of those which had occurred during the first two decades of United Nations development activity; in view of the experience accumulated, they should now be avoidable. The new Director-General was of course not responsible for the projects evaluated in the report, which had been designed and implemented before he took office. She hoped significant improvements would follow from the new Quality Management System.

42. Turning to the role of women, both as clients of UNIDO and as members of its staff, she pointed out that the fifth session of the General Conference had given the Organization a mandate to ensure that gender considerations were integrated into all UNIDO's activities. It would be possible to integrate women into industrial development in a variety of ways, such as by assisting rural women to become small-scale entrepreneurs or by giving management training to women who had already started on a career. UNIDO should have much to contribute to the Fourth World Conference on Women, and she hoped the Board would be given some idea of the nature of its contribution. The assessment of the Programme and Plan of Action for the Integration of Women 1990-1995, which had taken place at its midway stage during 1993, had revealed serious shortcomings in the programme. She asked the Director-General what specific measures had been taken to put the programme on the right track. As for the representation of women in the UNIDO Secretariat, there did not seem to be any real improvement. A target had been set some time ago for the representation of women at the Professional and higher levels throughout the United Nations system. Although UNIDO had set itself a lower target, it was still failing to reach it, and indeed UNIDO was probably the worst achiever in that respect in the entire United Nations system. Fresh recruitment to UNIDO now presented an opportunity to rectify the situation, and she hoped the Director-General would report on the progress made.

43. On the question of environment coordination (paras. 9-13), she pointed out that the fifth session of the General Conference had produced a clear mandate to UNIDO to integrate environmental concerns into all its operations. UNIDO had already established itself as a major partner in that field, not least in the crucial follow-up work to UNCED. The commitments made at UNCED required long-term planning and continuity to yield lasting results.

44. She appreciated the high level of activity in the area of human resource development, especially within management and the use of advanced technologies. UNIDO was also to be congratulated on its prompt response to the System-Wide Action Plan on Drug Abuse Control. A seminar on human resource development would shortly be taking place in

Sweden, to be attended by about 100 experts from mainly developing countries and international organizations. She hoped that meeting would give UNIDO fresh impetus for its future work in the field.

45. She concluded by welcoming the news that payments to the Organization's regular budget had shown signs of improvement during 1994. That was certainly a sign of growing confidence in UNIDO and in its Director-General.

46. Mr. ABDALLA (Sudan) said that UNIDO had a pioneering role to play in the changing international economic situation, exploiting the new administrative and financial potential created through the restructuring process. Increased international cooperation in industrial development was vital to prevent the gap between the developed and developing world from growing even wider.

47. UNIDO's future policies should focus on human resources development, rehabilitation of industry, especially medium- and small-scale enterprises, industrial investment programmes and privatization, giving priority to the developing countries, particularly the LDCs, which were dependent on UNIDO for advisory services on how best to implement their national privatization policies.

48. With regard to technical cooperation activities, he expressed concern at the low level of implementation of regional programmes, especially in Africa, which had the highest number of LDCs. Owing to a decline in the volume of UNDP funds available, only six projects, totalling $1.7 million, had been implemented out of a total of 103 projects, totalling $12 million, planned for 1993. If that trend continued, it would have an extremely adverse impact on the development efforts of the countries concerned.

49. The Sudan was actively cooperating with UNIDO in the framework of its national development plan, which ran until 2002. It was accelerating the pace of industrial development and liberalizing the national economy by introducing new economic models, reforming financial institutions and privatizing productive enterprises. It was organizing workshops and seminars on investment promotion and the encouragement of foreign capital investment in the private sector. A new investment law would provide the necessary incentives for such investment. The Sudan was also taking steps to strengthen agro-industries in cooperation with UNIDO. The success of its ambitious programme depended on the availability of resources, inputs and technical expertise.

50. In connection with the Second Industrial Development Decade for Africa (IDDA), he commended UNIDO's efforts to implement the programmes inspired by the Mauritius Declaration and the decisions taken by the Conference of African Ministers of Industry in May 1993. He was counting on further assistance from UNIDO for the attainment of the objectives of the Decade.

51. With regard to the restructuring process and the future policies of UNIDO, there had certainly been some improvements in the delivery of services and in technical cooperation since the Yaoundé General Conference. He trusted that the increase in financial resources would make it possible to sustain that trend.

52. The principle of equitable geographical representation meant that all regions of the world should be represented in the Secretariat, at both junior and senior levels, bearing in mind, of course, the need to ensure efficiency and competence.

53. Referring to item 10, he drew attention to the importance of strong UNIDO country representation, especially in the LDCs, as a channel for advisory services and liaison activities. He appealed to UNDP and the donor countries to make sufficient funds available for the continued operation of such offices or for an increase in their number.

54. Ms. WIIG (Norway) said that her delegation wished to encourage the Director-General to press ahead with action to reform UNIDO in the light of the Yaoundé recommendations, adding that such substantive reform needed to go hand in hand with a restructuring of the Secretariat. She joined her Swedish colleague in calling for an improvement in the representation of women in any such restructuring. It would be useful to hear more about the Director-General's priorities and goals for the activities of the Organization and his plans for moving towards more upstream activities by creating a centre of excellence for industrial development within UNIDO.

55. Norway and the other Nordic countries had actively supported reform of United Nations operational activities, in terms of intergovernmental machinery and also at the field level. Multilateral assistance through the United Nations system had suffered from fragmentation, lack of focus and failure to make best use of advantages. Scarce resources needed to be managed in a cost-effective way. Norway strongly favoured closer cooperation between United Nations organizations, including UNDP, and the Bretton Woods institutions at the field level. The development of a single country strategy was a welcome step in that direction. In countries where a national development framework existed, it should result in a more strategic approach with a stronger focus on key areas where the United Nations had an optimum impact. Norway also welcomed UNIDO's promotion of the programme approach and national execution.

56. To facilitate the implementation of the new mechanisms, there was a need for clear and consistent system-wide guidelines. Programming cycles needed to be harmonized, both within the United Nations system and in relation to government planning cycles.

57. A move towards common United Nations premises would greatly facilitate better teamwork in the field. Her delegation believed that the new UNDP budgetary practices, under which a larger portion of the local support costs of field representation would be borne by the agencies, would encourage rationalization and more efficient use of funds. The decentralization and delegation of authority inherent in the new system called for staff with the ability to enter into a new type of development dialogue as well as a new type of guidance from Headquarters.

58. Her delegation supported the practice of redeploying Headquarters staff to field posts. In general, a more consistent human resource policy, which would facilitate staff mobility and career development both within and among United Nations organizations should be considered. Her

delegation would also welcome the introduction of more competitive conditions of service for the staff and the adoption of personnel guidelines that took family situations and the special needs of women staff members into account.

59. United Nations General Assembly resolution 48/162 adopted in 1993 had given the Economic and Social Council an expanded role as a provider of policy guidance and a central coordinator of development activities throughout the United Nations system. The Council's forthcoming summer session would provide an opportunity for UNIDO and other agencies and Member States to put that resolution into practice.

60. Her delegation fully supported the emphasis on quality assurance in relation to technical cooperation activities. However, it would have liked to see how inter-agency cooperation at the field level was reflected in those activities, for example in an additional paragraph under the section entitled "Further action planned" in document IDB.12/8 on United Nations coordination and cooperation.

61. Mr. LATOUSKI (Belarus) was confident that the current session of the Board would serve to increase the effectiveness of UNIDO's activities in general and of the assistance provided by its various subdivisions to developing countries and to countries in transition to a market economy. The situation augured well for an improvement in the results of UNIDO's own programmes and investment projects and of those in which the Organization participated. He was glad to note, in the annual report for 1993, an increased level of activity on the part of the Organization, as reflected in projects implemented and in the increased industrial capacity of recipient countries.

62. Belarus, a country whose economy was in transition, attached importance to all the assistance received from UNIDO: financial assistance; consultancy, technical and other support to improve its legislative and institutional structures; help in developing private enterprise and in overcoming monopolistic practices; and help in developing human resources and in tackling environmental problems. The latter aspect was of particular importance to Belarus, because of the worsening pollution of its soil, air and water as a result of the Chernobyl disaster. The long-term impact of that disaster had not diminished in the last few years. He called upon the Organization to step up international efforts to attenuate its effects, in line with resolution GC.5/Res.17, which pointed out that the United Nations joint plan for Chernobyl could not yet be fully implemented owing to the lack of financial resources. He hoped the Director-General would take appropriate steps to remedy the situation, especially through the restructuring of industry in the area affected by the disaster.

63. Emphasizing the importance of the delivery of integrated technical assistance from UNIDO and other United Nations institutions, he called for efforts to be concentrated on the implementation of joint projects and programmes under UNIDO and UNDP auspices. The Director-General was adopting innovative approaches to the new functional tasks of the Organization, for instance by strengthening country representation in Member States. In that sense, he agreed with the statements made by the representatives of Austria and Japan. He also agreed with the Director-General that 1994 would prove a turning point in the restructuring of the Organization and that the new priorities and initiatives of a restructured UNIDO, to which the Director-General had referred, should not be confined to organizational reforms, but should extend to the spirit and purpose of its mandate, so as to enable it to respond to the demands placed on it. One of those new demands was for programmes for the restructuring of industry in countries with transitional economies. Such programmes should reflect the priorities highlighted by the Director-General, such as environmental protection and the inclusion of the energy sector in industrial restructuring programmes, to mitigate the harmful impact of that sector on the environment.

64. UNIDO should also focus on the development of the private sector of the economy; country surveys of industry; the preparation of recovery and business plans for individual industrial enterprises; and the organization of seminars and studies and the dissemination of management experience from abroad.

65. In conclusion, he hoped for UNIDO's continuing support for the projects put forward by his country, both in their preparation and in their execution.

66. Mr. POPESCU (Romania) commended UNIDO's performance with respect to programme and project development, promotion of industrial investment, development and transfer of technology, industrial rehabilitation, small- and medium-scale enterprises and human resources development. On the other hand, his delegation had been concerned to hear of the severe cash-flow problems and the decline in technical cooperation activities. It was therefore encouraging to note that attention was being focused on the development of integrated programmes of technical cooperation designed to attract foreign investment, including advice on policy and legislation, improvements in the investment structure, and the strengthening of investment promotion agencies and related institutional mechanisms.

67. In Romania, UNIDO's proposed programme for the mobilization of foreign investment resources involving the establishment of an investment promotion centre in the Bucharest office of the Joint UNIDO-Romania Centre was viewed as a top priority. Romania was also interested in UNIDO assistance for the promotion of investment projects in the Black Sea region.

68. He reminded the Board of the request to the Director-General at the fifth session of the General Conference to mobilize additional extrabudgetary resources for investment promotion programmes on behalf of countries with economies in transition.

69. Referring to the UNIDO Conference on Ecologically Sustainable Industrial Development and to Agenda 21 adopted at the Rio Conference, he noted the special importance of the joint UNIDO/UNEP programme for the establishment of national cleaner production centres. His delegation welcomed UNIDO's proposal to add to the Global Environment Facility project on the Black Sea environment a new dimension aimed at promoting cleaner production technologies in the Black Sea countries. UNIDO's approach had also been favourably received by the participants at the recent Crans Montana Forum in Bucharest.

70. His delegation hoped to see the proposed Black Sea and Mediterranean international network for clean technology transfer in place and operational as soon as possible.

71. The transition to a market economy in Romania had proved far more difficult and costly than expected. "Shock therapy" had proved an illusion: the restructuring and modernization of industry would take a long time to bear fruit. Industrial production was still at about 50 per cent of its 1989 level, and unemployment was running at over 10 per cent, with women accounting for 60 per cent of that figure. To make matters worse, Romania was losing billions of dollars as a result of the Security Council sanctions imposed on the Federal Republic of Yugoslavia (Serbia and Montenegro). Industry accounted for 65 per cent of that loss. Worst hit were the petrochemical, machine-building, steel and metallurgy industries.

72. Government action to remedy the situation had involved harmonizing macroeconomic stabilization policies with the structural adjustment policy, keeping social costs at a rational level and accelerating the pace of privatization of industry and the development of small and medium-size industrial units. The recently established Romanian Agency for Restructuring had introduced specific measures for the sectoral restructuring of industry.

73. On the positive side, GDP had increased for the first time in three years in 1993 - by 1 per cent compared with 1992. That trend had continued into 1994 with increases of 1.7 and 2.1 per cent respectively in January and February.

74. He stressed that external assistance for the transitional economies was not a question of charity, but an essential way of ensuring stability in countries in which the international community had a direct interest. Quoting from the Yaoundé Declaration, which had encouraged UNIDO to strengthen its capabilities to act on behalf of those economies, he suggested that a special programme be launched for that purpose.

75. His Government believed that UNIDO should initiate a special programme of industrial assistance for the countries affected by sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro). An independent UNDP consultant had carried out an evaluation survey according to which Romania was entitled to compensation from the international community, inter alia in the form of technical assistance and programmes for specific branches of industry.

76. In 1993 Romania had benefited from 11 technical cooperation projects, either operational or approved and financed from various sources. Of special importance was the UNDP-financed project, with cost-sharing by the Netherlands, for the creation of a national network of centres to promote small- and medium-scale private enterprises, which was being executed by UNIDO.

77. The 1993 programme of work of the Joint UNIDO-Romania Centre had been fully implemented and the 1994 programme was due to be approved at the forthcoming session of the Joint Committee in Bucharest.

78. Despite its financial difficulties, his Government had increased its contribution to the Industrial Development Fund (IDF) by almost 200 per cent in 1993 and had increased the amount pledged by a further 270 per cent in 1994. His delegation was pleased to note that the total value of projects approved under the special-purpose and general-purpose non-convertible segment of the IDF had come to over $1.5 million in 1993 and that human resource development, small- and medium-scale industries and the development and transfer of technology had been given priority.

79. The Romanian delegation supported the policy framework of UNIDO (IDB.12/5). It was to the credit of the Director-General that in a difficult period of transition for the Organization he had made improvements in management that had paved the way for a new organizational structure and efficient operating procedures. The overall success of the reform process depended on the support offered by both donor and recipient countries.

80. Mr. AL-NOWAISER (Saudi Arabia) commended UNIDO for its achievements in 1993 under difficult circumstances and in a rapidly changing world. UNIDO's role on behalf of the developing countries and in particular the LDCs was of crucial importance in getting them started on the road to a better economic and industrial future and a higher standard of living. His delegation wholeheartedly supported those efforts and UNIDO's cooperation with relevant national, regional and international bodies in pursuit of the priority goals it had set itself.

81. The developing countries depended on UNIDO to provide the technical assistance they needed for industrialization on a low-cost and environmentally sound basis. The technology provided should correspond to their infrastructure and local circumstances. It was also important to provide appropriate technical training. Saudi Arabia was one of UNIDO's major voluntary donors for projects in those areas.

82. It was essential to strengthen economic and technical cooperation among developing countries in order to foster industrial development. His delegation supported UNIDO's action to promote investment, technology transfer and the development of relevant regional and subregional programmes and to mobilize the requisite financial resources. It was important to draw on national expertise and on local services and materials in developing countries for those projects.

83. Expressing regret at the decline in the number of projects implemented in the Arab world, he urged UNIDO to increase and expand its cooperation with the Arab States. He hoped that the unit reponsible for the Arab programme in the Secretariat, the staff of which should ideally be familiar with the Arab world, would give more attention to the programme for industrial development in the Arab countries and for assistance to Palestinians in the occupied territories. He urged UNIDO to provide for coordination with national and regional bodies responsible for industrial development in the Arab States in making preparatory studies and drawing up operational plans for the development of both private and public cooperation in the industrial and economic fields.

84. UNIDO had made commendable progress since the Yaoundé Conference in increasing the efficiency of the Organization, inter alia through basic changes

in the administrative structure. His delegation attached particular importance to fuller representation for the developing countries in both administrative and technical posts in the Secretariat.

85. Mr. KOUAME (Côte d'Ivoire) said that his delegation was fully satisfied with the contents of the Director-General's excellent report on the activities of UNIDO in 1993. It had entire confidence in his ability to translate his ideas into action. It also commended him for the quality of the other documents placed before the Board.

86. Having recently been elected to the Board, his country was able to participate straight away in monitoring the implementation of the decisions adopted at the fifth session of the General Conference and in evaluating the steps taken to restructure the Organization and to plan action for speeding the industrialization of the developing nations, and especially that of the least developed countries.

87. The world economic crisis had greatly aggravated the already precarious situation of the developing countries; those in Africa were beset with problems such as heavy indebtedness, deterioration in their terms of trade and the fall in the prices of primary commodities, not to mention poverty and disease. The devaluation of the CFA franc complicated even further the economic problems of African countries, which exported very few agricultural and food products and no industrial goods at all. UNIDO would certainly play a useful part in promoting industrial development that would enable the nations of Africa to process their raw materials locally. In the case of his own country, it had done so already, with its substantial contribution to the economic recovery programme introduced by the Government in 1990, a programme which laid special emphasis on the industrial sector.

88. His country looked to the Organization for support in the following areas: finalizing investment studies and plans for the organization at the national or subregional level of an investment forum with participation by all countries, including those in eastern Europe and the more advanced countries of Asia and Latin America; preparing a study on the effects of the devaluation of the CFA franc on industrialization in African countries, with a view to the subsequent mobilization of financial resources from development finance institutions on an urgent basis; and the redeployment of activities to promote small and medium-sized enterprises and industries.

89. In conclusion, his delegation hoped that a UNIDO Country Director would be appointed to Abidjan as quickly as possible.

90. Mr. YIMER (Ethiopia) said that the decisions taken at the fifth session of the General Conference had far-reaching implications for the future of UNIDO. Although it was too early to make a full assessment of their implementation, his delegation was glad to see the important steps already taken to that end by the Director-General, which augured well for the Organization's future. He commended the Director-General for his statement at the opening meeting of the Board's present session and for the information given in the annual report on the activities of UNIDO in 1993. He hoped that future annual reports would be more succinct and more analytical.

91. With regard to the Organization's implementation of the programme for the Second Industrial Development Decade for Africa, and the programme for the least developed countries, greater help should be given to African countries in general and to the least developed countries in particular. His own country, for example, needed assistance in order to adapt itself to fundamental socio-economic changes, alleviate poverty and improve living standards. It was encouraging that the Director-General had recognized such needs in his opening statement and envisaged taking the necessary steps to meet them.

92. In view of the continuing fall in funding for UNIDO from UNDP, he hoped that donor Governments and organizations would increase their contributions to UNIDO's operational budget so as to enable it to provide developing nations, and especially the least developed countries, with the services they sought. As acknowledged by the Director-General in paragraph 4 of his report on industrialization of the least developed countries in the 1990s (IDB.12/6), a priority area of assistance for those countries was the mobilization and development of their human resources, steps which were a crucial factor in promoting sustained and self-reliant socio-economic development. The report also recognized that equitable development through industrialization would help to alleviate poverty and create opportunities for all sections of society. The Organization should do its utmost to promote it.

93. His delegation approved the steps planned for UNIDO's technical cooperation activities, as set out in paragraph 7 of the Director-General's report on the subject (IDB.12/8). Document IDB.12/CRP.1 gave useful details of the technical cooperation projects approved and/or operational in 1993, but only in the form of a list; he hoped that in future the document could be expanded to include analytical information.

94. His delegation approved the steps taken by the Director-General to implement the decisions of the Yaoundé Conference with regard to the restructuring of UNIDO. It nevertheless emphasized the need to correct the regional imbalance in staffing, particularly at senior levels, in order to give greater representation to African countries.

95. The successful conclusion of the Yaoundé Conference had given the Organization a new lease of life. His delegation pledged its full support for the Director-General in improving UNIDO's ability to promote the industrialization of the developing countries. It appealed to the international donor community to increase the resources at the Organization's disposal.

96. Mr. STEFEC (Observer for the Czech Republic) referred to the issue dealt with in paragraph 7 (a) of the Director-General's report on UNIDO technical cooperation activities in 1993 (IDB.12/8), namely, the determination by the Secretariat of the areas of concentration and related conceptual frameworks which were needed to promote the achievement, at the country level, of the five development objectives forming the basis of the policy framework and organizational and staff structure of UNIDO approved by the General Conference at its fifth session in operative paragraph 1 of its resolution GC.5/Res.18. Those objectives were enumerated in paragraph 39 of document GC.5/23. To translate them into action, UNIDO needed to complement its organizational restructuring, a

process largely completed, with a further process which he would describe as "activity restructuring". That should contain three main elements: balancing the promotion of new ideas against responses to requests for support; maintaining a well-proportioned system of operations which allowed room for imagination as well as the ability to cater for new concepts on the one hand and emergencies on the other; and both providing and accumulating information, but without being burdened with an insupportable mass of data. The backbone of the activity restructuring process should be unbureaucratic teamwork which aimed at combining the best possible professional knowledge available within the Organization; if successful, the process would sustain UNIDO's professional image and give it a new corporate identity.

97. The Director-General had succeeded in imbuing the Organization's executives with a new spirit and providing its units with new terms of reference; those needed to be translated into practical results in the field. The detailed determination of UNIDO's areas of concentration should balance the demand for services from Member States against UNIDO's actual and potential capacity to provide them, and it should also take account of the developmental effectiveness of different kinds of services.

98. In deciding on priorities in technical cooperation activities, attention should be paid to the following criteria: the importance of technological development - including the applications, adaptation and impact of technology - and of development of human resources; the greater impact of support for the development of indigenous capabilities - rather than support for individual enterprises - which should be directed primarily towards the formulation of industrial policy and the development of institutional infrastructure, including institutions concerned with training, quality control, industrial consultancy and technological information; and the need to focus support on areas in which the market, as the main driving force behind technological development, was either insufficiently developed or neglectful of non-economic objectives such as environmental sustainability, the improvement of living standards of the underprivileged, including the population of the least developed countries in general, and the expansion of small and medium-sized enterprises and industries.

99. Support from UNIDO in building national capacity for addressing environmental problems should include assistance in the adoption of cleaner methods of production. In the area of technological information, the Organization should concentrate on monitoring international, regional and local databases rather than attempt to maintain too large a database of its own.

100. The results of the determination of UNIDO's areas of concentration could be usefully augmented by suitable coordination with industry, with other multilateral agencies and with bilateral agencies. His delegation looked forward to the submission to the Board, at its next session, of a separate report on the activity restructuring process.

101. Mrs. ROBERT (Switzerland) expressed her delegation's satisfaction with the progress of restructuring and the improvement of UNIDO's internal procedures, which were bound to enhance the quality of the Organization's services. However, there were instances of duplication: for example, the Environment and Energy Branch was responsible for devising programmes for the transfer of "green" technology, an activity which could hardly be distinguished from the transfer of technology in general. The Branch in question should deploy the various techniques already developed by UNIDO in that field before devising its own. It should focus on identifying the industrial sectors in which the environmental impact was the most marked. She welcomed the development of country strategies to bring together all UNIDO activities in any particular country, but information about the development of the strategies was insufficient and did not identify the parts of the Secretariat involved in the process, or the other organizations in the United Nations system which played a part. Nor was there any mention in the documentation of the World Bank or of the regional development banks, all of which played an important role in the industrialization of the developing countries. It was important for UNIDO to collaborate with those institutions and with the new International Trade Organization. All too often, UNIDO had failed to take into account the absorption capacity of both international and national markets, and collaboration with ITO should ensure that products generated by the strategies would find outlets.

102. Turning to the question of project quality, she expressed her delegation's satisfaction with the steps taken to improve quality, especially through staff management training by objectives and the establishment of a Programme and Project Review Committee. The new committee would not of course be able to review all projects, but it would be highly desirable for the same method to be used for all new and continuing projects and for their evaluation. That method, which had been developed by UNDP, had proved its worth in all United Nations institutions. She concluded by saying that the spirit of frankness which characterized the report of the Organization for 1993 was sound evidence of the new atmosphere prevailing in the Organization.

103. Mr. RITCH (United States of America) said that his delegation had been gratified to learn of the constructive steps taken by the Director-General to revitalize the Organization in accordance with the mandate given him by the General Conference at its fifth session. They marked a welcome departure from the earlier situation of recurring complaints that UNIDO had lost touch with the needs of developing countries and the concerns of potential donors. His delegation looked forward to further such steps in the months ahead.

104. His Government supported the Director-General in his efforts to do whatever was necessary to build a new and efficient UNIDO. Having reorganized the staff structure, the Director-General could now turn his full attention to reforming UNIDO's substantive operations in accordance with the priorities approved at the Yaoundé Conference, a process which should emphasize quality, relevance to the recipient and cost effectiveness. The Secretariat should ensure that all the Organization's projects were environmentally sound and contributed economically to sustainable growth. His delegation hoped to see evidence at the next session that substantive reform had resulted in programme and project improvement. It welcomed the 1993 annual report and looked forward to even more

succinct annual reports in the next biennium. It was also pleased to read, in the Director-General's report on technical cooperation activities in 1993 (IDB.12/8), of the first steps taken to reorient UNIDO's work and improve its quality control. As funds from sources such as UNDP continued to shrink, the Organization would need to undertake fewer projects and execute them better if it was to find its niche in the world of economic development.

105. His delegation advocated the greatest possible economy in the cost to UNIDO of staff travel and associated itself with the remarks made on that point by the representative of India earlier in the meeting. He awaited the management's considered recommendations on the subject.

106. His country, as a supportive critic of UNIDO, was prepared to assist in the process of improving the Organization.

107. Mr. AL-MUTOTEH (Kuwait) commended the Director-General on the results achieved by UNIDO in 1993. The Organization should increase its action to transfer technology to developing countries, as well as its other activities, to a level that was commensurate with their needs. His delegation approved of UNIDO's work in promoting investment and mobilizing resources and emphasized the importance of using national experts and local equipment in its activities. It hoped that the number of projects executed in Arab countries would increase, especially in the area of cooperation among them in public and private industry. The subprogramme for the Arab countries should be strengthened through the participation of officials from those countries, a step which would greatly enhance the effectiveness of UNIDO's work.

108. With regard to the Director-General's bulletin on guidelines for the management of UNIDO's services (UNIDO/DG/B.177), his delegation approved the guidelines in principle, but stressed the importance of holding an adequate number of briefings on national programmes in consultations between UNIDO and the countries concerned. His delegation congratulated the Director-General on the successful implementation of the resolution adopted by the Yaoundé Conference on the future policy framework of UNIDO and its organizational and staff structure (GC.5/Res.18). It stressed the need to ensure that the principle of equitable geographical distribution of posts, especially at senior levels, was respected in any reform of the manning table. His delegation supported the proposals made in regard to home leave travel with a view to cutting costs.

109. Mr. PUIG PINO (Cuba) said that the international situation continued to be inimical to most developing countries by depriving them of vital economic and political sustenance. Although some developing countries had achieved relative economic progress, that progress was at the mercy of persistently adverse trends in the world economy. Huge social inequalities remained. Against a background of economic uncertainty and shortage of financial resources, it was gratifying to note from the Director-General's opening statement that UNIDO's financial situation had somewhat improved. His delegation had confidence in the new management and welcomed the steps taken to shape the Organization's future along the lines set out at the Yaoundé Conference.

110. His delegation was gratified at the contents of the Director-General's report on UNIDO's work in 1993. His own country had benefited from increased advice from the Organization in solving problems in the pharmaceutical, sugar, mining and energy industries. Satisfactory progress had been achieved in regional capital goods and subcontracting projects assisted by UNIDO.

111. His delegation approved the steps taken and the action planned in regard to UNIDO's technical cooperation activities, as described in the Director-General's report on that subject (IDB.12/8). It took the view that improvements in the quality management of those activities called for a fairly urgent review of the Organization's financial mechanisms and its entire budgetary apparatus with the aim of increasing the effectiveness of its technical assistance and enabling it to attract external resources.

112. His delegation welcomed the steps taken by the Director-General to restructure the Organization along the lines laid down by the General Conference in resolution GC.5/18. It urged that UNIDO's activities be strengthened at the base, which was the level at which developing countries' industrialization problems were properly understood. He endorsed the observations made by the President at the 1st meeting with regard to the technological and financial penury of the developing countries. UNIDO must come closer to the realities of industrial development, and to those responsible for it, in the countries it assisted. His Government therefore welcomed the idea that the Organization should be represented in Cuba. In conclusion, he reiterated his delegation's support for the Organization's programmes and its new management.

The meeting rose at 1 p.m.

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# Industrial Development Board

Twelfth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 10 May 1994, at 3 p.m.

President: Mr. EL HUSSEIN (Sudan)

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The meeting was called to order at 3.30 p.m.

STATEMENT BY THE PRESIDENT

1. The PRESIDENT said that the inauguration in the past few hours of Mr. Nelson Mandela as President of South Africa had been a historic moment for the African continent and the world in general. The people of South Africa had together opted for reconciliation, and had decided to build their future together. He paid tribute to the struggle of the people of South Africa, and offered his congratulations to Mr. Mandela on his election as President.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1993 ON THE ACTIVITIES OF THE ORGANIZATION (continued) (IDB.12/2; IDB.12/CRP.2)

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1993 (continued) (IDB.12/8; IDB.12/CRP.1)

FUTURE POLICY FRAMEWORK OF UNIDO - ORGANIZATIONAL AND STAFF STRUCTURE (continued) (IDB.12/5; IDB.12/CRP.4)

OPERATIONAL ACTIVITIES FOR DEVELOPMENT (continued) (IDB.12/9)

2. Mr. CURIA (Argentina) said that a new spirit was abroad in UNIDO, which had before it a historic opportunity to meet the challenges of the political and economic changes that had taken place in international relations. He expressed the hope that the Director-General would continue with the restructuring of the Organization and the rationalization of its expenditure. UNIDO needed to encourage efficiency and effectiveness, while maintaining a healthy cost-benefit position, to improve the quality of its projects, to enhance its flexibility, to guarantee transparency, to establish an appropriate system of communication, and to acquire a new international image. He agreed with previous speakers that UNIDO should take more account of the environmental dimension, should acquire innovative financial mechanisms, should orient the work done by the joint UNDP-UNIDO working group more towards the requirements of industrial development, and place greater emphasis on identifying sources of funds in the developed countries.

3. Mr. RAMIREZ (Ecuador) said that the information given by the Director-General in his annual report for 1993 and in his opening statement gave grounds for continuing confidence in the effectiveness of the services that could be offered by the Organization to promote sustainable industrial development in the developing countries.

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UNIDO had been sensitive to the profound changes which had taken place in the world, and had endeavoured to adapt its structure and management accordingly. It was going through a transitional period; steps had been taken in the right direction, and some of the results could already be seen. Realistic and pragmatic initiatives had been taken which deserved the support of Member States.

4. His country considered that representation in the field was of particular importance if the most effective use was to be made of the meagre resources available to the Organization. There should be better coordination between UNIDO and both recipient and donor countries, and the UCD programme should be strengthened. Savings could also be made in the travel expenditure incurred by staff at Headquarters, and it was his expectation that the information requested of the Secretariat by the Group of 77 would enable the Board to consider the various options and find the best solution.

5. Ecuador was grateful for the participation of UNIDO in a number of projects, notably: consultancy services in its petroleum refining industry; the promotion of agro-industrial investment projects, with a contribution from the Government of France; the establishment of a strategy for the management of environmental quality; and technical assistance in the upgrading of a cement plant. Ecuador believed that UNIDO should give priority in the future to the encouragement of small- and medium-scale enterprises, to assistance in the processes of restructuring, industrial reconversion, modernization and privatization, to the promotion of industrial and agro-industrial investment, to technical cooperation for the benefit of the developing countries and among the developing countries themselves, to better specialized training of industrial human resources, to the promotion of the transfer of clean technology, and to the distribution of information in general, and especially regarding contracting and subcontracting. Finally, his country had noted with satisfaction the cooperation between UNIDO and UNDCP in dealing with the problem of drugs.

6. Mr. PRODAN (Observer for Ukraine) praised the high quality of the annual report of UNIDO for 1993, which provided a clear picture of the work of the Organization. Like many other delegations, however, he had noted with concern the decrease in the number of technical assistance projects implemented in 1993, although he realized that a reduction in the flow of financial resources, especially through UNDP, was bound to affect the quantity of services offered to Member States.

7. The year 1993 had been one in which the Organization had reoriented itself and established new priorities within the framework of its medium-term plan, and it was to be hoped that even in the short term the reform process would enable UNIDO to increase significantly its effectiveness and competitiveness, and to react more flexibly and effectively to the requirements of Member States.

8. Ukraine supported the efforts undertaken by the Director-General to reform UNIDO's organizational and staff structure, and was particularly hopeful that the new structure would be less cumbersome and hierarchical and more effective. But an organization's effectiveness was directly linked to the professional level of its staff. Like other international organizations UNIDO was able to carry out its mandate effectively only if it secured a balance of interests between its Member States, and that was possible only when staff were selected in accordance with the principle of equitable geographical distribution. In that regard, Ukraine was unfortunately obliged once again to draw the Board's attention to glaring disproportions in the Organization's staff structure. Restructuring was clearly a complicated process, but for more than a year there had not been a single Ukrainian expert on the staff of the UNIDO Secretariat, and there seemed to be a lack of will in the Personnel Division seriously to deal with the problem, which involved clear discrimination against a Member State. Ukraine had a significant number of highly qualified experts who met the highest standards of competence, efficiency and conscientiousness, and his delegation once again drew the attention of the Director-General to the need for a speedy resolution of the matter. A number of delegations had referred to the injection of new blood into the Secretariat increasing the effectiveness of its work, and there was no doubt that Ukrainian experts could make a worthy contribution to solving the problems that the Organization faced.

9. Mr. WEJIKO (Poland) said that it would be unrealistic to expect the Organization to have demonstrated improved efficiency and competitiveness within only four months of acquiring new structures and working procedures, although he was confident that by the thirteenth session of the Board a new dynamism would be evident. Major criteria for Poland's assessment of the performance of UNIDO would be: its international image and credibility; the quality of the projects implemented and the market demand for UNIDO's services; the morale, attitude and dedication of the staff, and the general atmosphere within the Organization; and its financial situation.

10. With regard to the Organization's financial situation, he said that, despite its budgetary difficulties, his Government had always paid its contributions to UNIDO in time. As for UNIDO's international image, he noted that the UNIDO cooperation office in Poland had assisted his Government in the preparations for an East-West business forum and ministerial conference in Warsaw. He expressed his gratitude to the Director-General for having presented at that conference a project for restructuring Polish industrial enterprises on the basis of tripartite cooperation between the donor country and the Government of Poland. Regarding staff questions, the Director-General had stated that he was aware of the geographical imbalance in the distribution of staff. It was to be hoped that the situation would be corrected soon and that the Central and East European countries in transition would be borne in mind.

11. Regarding the annual report of UNIDO for 1993, the reasons for the dramatic decline in project effectiveness and efficiency might be that many of the projects evaluated had been designed before the policy shift towards private-sector development and the market economy had taken hold in many of the developing countries, although they might also lie in inadequacies of project design. He looked forward to seeing signs of improved performance in that field, and hoped that the Secretariat would

keep the Board informed on progress achieved. He also hoped that the Organization's work on quality management throughout the programme/project cycle would contribute to enhanced project effectiveness and efficiency.

12. Mr. KOLLARIK (Slovakia) said that UNIDO had taken a number of steps in the right direction since the fifth session of the General Conference. It was in a period of transition, and in that respect resembled countries like Slovakia which were moving from central economic and political planning to a modern democratic system based on the market economy. At the present stage of the UNIDO reform process it was important to pay particular attention to the situation of such countries in transition.

13. He welcomed the steps which had already been taken to establish closer cooperation between UNIDO and Slovakia: a memorandum of understanding had been signed, and a joint committee would soon be created. Slovakia was not only a country which needed the assistance and advice of UNIDO, but also one which was both able and willing to provide efficient and effective assistance to UNIDO in a number of fields, as well as, through UNIDO, to recipient countries.

14. Mr. FEDORTCHENKO (Russian Federation) said that 1993 had been a strained and difficult year for UNIDO. Because of financial problems the total volume of technical cooperation had decreased by 20 per cent as compared with 1992. For the first time, the figures for technical assistance had been comparable with expenditure at Headquarters. He also shared concern over the quality of services provided by UNIDO, which had been less effective. In certain cases, projects had been drawn up by UNIDO without involvement of the end-users. He supported the Director-General's efforts to overcome the adverse tendencies and to seek new and more efficient ways of operating. He also attached importance to the decisions taken by the General Conference at its fifth session concerning quality management and welcomed the Director-General's efforts to introduce a quality management system as rapidly as possible.

15. To improve the results of projects it would be advisable to consider making wider use of national experts, which encouraged the development of cooperation between the developing countries themselves and allowed available financial resources to be used more effectively. He greatly appreciated UNIDO's efforts to promote industrial investment, and in particular to attract investment to economies in transition. It was important in that respect to ensure continuity in the identification of needs, to take regional characteristics into account and to make optimum use of local personnel.

16. He commended the Secretariat on its assistance in preparing and holding a series of international investment forums to attract foreign investment to Russia. Experience had shown that investment projects in his country had great practical interest for business circles in Member States. Russian enterprises, which had wide experience in many different branches of industry, could actively participate in UNIDO technical assistance projects on a subcontracting basis in such areas as the supply of equipment and training. The former USSR had played an active part in training national personnel from the developing countries and Russia now wished to continue such cooperation at the UNIDO training centre in Moscow.

17. UNIDO's contribution to the formulation of national development strategies was on the whole constructive, but care should be taken to ensure that country and regional research carried out by UNIDO to promote industrial development was integrated into national development programmes. The UCD programme should be implemented through a regional approach, with the establishment, where necessary, of regional or subregional offices. Local expenses should be partly covered by the receiving countries. Finally, he supported the idea that the savings made by abolishing the posts of Deputy Directors-General should be devoted to the UCD programme.

18. Mr. LESNES PATIÑO (Observer for Colombia) said that his country and its private industrial sector felt supported by UNIDO in Colombia's programmes relating to the transfer of technology, training and the environment. Through the combined efforts of the Colombian Government and UNIDO the first stage in the process of economic opening had been attained and the second stage - involving the internationalization of the economy through an integrationist policy - was now beginning. It involved a free-trade agreement signed with Chile, a customs union with Venezuela and Ecuador, an agreement with Mexico and treaties at present being negotiated with the countries of Central America and the Caribbean.

19. Colombia was a dynamic country with an industrial policy based on concerted decision-making with the private sector, the modernization of the State to improve services for industry and reduce costs, and strong support for technological management. Credit lines had been made available for small- and medium-scale businesses and training was provided to make them more competitive. With the help of the European Union a corporation had been set up for the transfer of technology, offering business information on the latest advances in each particular field. UNIDO's information services would shortly be available on the same network. His Government was also promoting the creation of technology development centres, in which industries collaborated in research on intermediate technology, staff training and testing laboratories.

20. UNIDO had been taking part in all those activities, including the establishment of business incubators, industrial parks and technological free zones, thereby helping the private sector to bridge the development gap. UNIDO had also provided valuable assistance for the metallurgical and petrochemical industries. Colombia would be happy to support any activity that would further strengthen the Organization.

21. Mr. MANDENG AMBASSA (Cameroon) said that the holding of the fifth session of the General Conference at Yaoundé had been an honour not only for his country, but for Africa as a whole. The Conference had laid the foundations for the restructuring of UNIDO and Cameroon was happy to support the efforts made by the Director-General to that end. His delegation urged all Member States to make every effort to ensure the implementation of the resolutions adopted at Yaoundé. In particular, he hoped that the Director-General would give absolute priority to the industrial

development of the least developed countries, paying special attention to the resolutions relating to the financing of projects and the development of small- and medium-scale industry. Such activities offered the best opportunity for assisting the African countries which constituted the majority among the least developed countries. In that context, regional programmes should by preference be carried out through a judicious policy for the mobilization of human resources in the regions concerned, while providing back-up for national projects. He also supported the operational strengthening of regional and subregional offices to adapt them better to local conditions.

22. Despite the financial difficulties associated with its structural adjustment programme, the Cameroonian Government had decided to settle its arrears, make advance payment of its contributions for 1995, 1996 and 1997, and offer a voluntary contribution to the operation of the Yaoundé office, which was about to be restructured, and to the Industrial Development Fund.

23. Mr. AIT HMID (Observer for Morocco) said that he felt some concern over the reduction in technical cooperation activities in 1993, as well as in regional programmes, in particular for Africa. In Africa, out of 103 projects, only six had been implemented. The reasons given were a decrease in the financial resources made available by UNDP. Should that trend persist, it was bound to have an adverse effect on industrial development, particularly in Africa, a continent where development was sorely needed. He therefore urged UNIDO and UNDP to work closely together to seek all possible ways and means of finding the necessary funding.

24. He commended the Director-General on his efforts to restructure UNIDO. Positive results had already been achieved and he looked forward to even greater progress in the future. He particularly hoped that all regions would be equitably represented on the staff, in accordance with the criteria of competence and integrity, so that every advantage could be taken of the restructuring process in terms of an effective and efficient Organization.

25. Mr. AHMADI (Islamic Republic of Iran), speaking on behalf of the Asian Group, said that UNIDO, in carrying out its technical cooperation with the developing countries, should increase the volume of technical projects, bearing in mind such important factors as relevance, cost-effectiveness and sustainability.

26. The Asian Group had taken note of Director-General's bulletin UNIDO/DG/B.177 containing guidelines for the management of UNIDO services in response to General Conference resolution GC.5/Res.1, and in particular paragraph 2 of that resolution. While it was too early to evaluate the content of the bulletin, the Asian Group requested the Director-General to prepare UNIDO country and regional support strategies and programming briefs in close consultation with the recipient countries concerned. The Director-General should also communicate the results of the country programme monitoring exercise to the countries concerned through the appropriate channels. Finally, the Asian Group hoped that the measures for improving project quality management would ensure better services for the recipient countries, but not at the cost of delaying the whole project cycle or reducing the rate of technical assistance delivery.

27. Mr. DE MARIA Y CAMPOS (Director-General) expressed his appreciation for the support that had been expressed for the ongoing reforms and the restructuring of the Organization and its work processes. He and his colleagues felt encouraged to pursue their efforts towards an efficient and a thriving UNIDO. He appreciated the understanding shown by representatives that change took time. Moreover, during the process of change new bottlenecks and new innovative ideas and prospects came to light.

28. As many representatives and the President of the Staff Union had pointed out, staff motivation and involvement were key dimensions of restructuring. While the Staff Union and management did not always have the same views, they nevertheless engaged in fruitful dialogue. There was certainly a need to refine management techniques and to recruit highly qualified staff and specialists to tackle activities under the new priorities.

29. He had a few explanations to give regarding some of the issues raised during the debate. While he could not consider all such issues, he assured representatives that good note had been taken of every observation and proposal.

30. Many references had been made to the question of the evaluation of UNIDO programmes and projects as described in the annual report. As the representative of Sweden had stated, such evaluations related mainly to 1992 and early 1993 and much had been learnt from them. In particular, the experience gained had been used to build on some of the new mechanisms now being introduced. It should be noted that there were two categories of evaluation: programme evaluation and technical cooperation project evaluation. The findings of the former were submitted directly to himself and were reviewed by the Policy Management Committee to determine the necessary action. Short-term action was taken immediately, while long-term action was included in the biennial work programmes. The second category took the form of mid-term and ex-post evaluations, which were to have increasing importance in the future. The feedback to project design and delivery was described in the newly defined guidelines for the management of UNIDO services in Director-General's bulletin UNIDO/DG/B.177 of 26 April. It completely remodelled the design process by introducing a coherent programming framework, assessing UNIDO's counterpart abilities and calling for a close dialogue between UNIDO and the requesting institutions in drawing up the most effective response. With those new procedures in place, he expected a reversal of the discouraging evaluation results as referred to in the annual report for 1993.

31. That led to the question of quality of UNIDO services, which was one of the cornerstones of the restructuring. The central Quality Assurance Unit was being retained and the chief of the central Unit acted as permanent adviser to the Programme and Project Review Committee. However, each implementing Division now also had its own quality assurance officer, whose role was to ensure jointly with the substantive staff that quality was a key consideration from the outset in project formulation. The system was an integral part of

the service management process as a whole. He felt confident that the new system would lead to broader quality consciousness throughout the Organization. Of course, he was aware that there was a trade-off between careful design and quality control on the one hand, and speedy processing and approval on the other. However, Member States could rest assured that there was no undue delay in project approval. The system would be reviewed after one year to make sure it was operating effectively.

32. Turning to the annual report for 1993, he said that it could be considerably improved in format and presentation so as to facilitate evaluation of the work undertaken by UNIDO. Efforts were already being made in that direction. Regarding the data on delivery, it was certainly a matter for concern that delivery had been diminishing to the extent that funds available, especially from UNDP, had been reduced. The information contained in the report had nevertheless to be examined carefully. Account had to be taken of the total amount of support granted.

33. Many questions had been raised regarding the Arab region. Even though technical cooperation assistance to that region had been somewhat low in 1993 in comparison with other regions, net approvals in 1992 for Arab countries had amounted to $9 million, while the figure for 1993 had been $17 million. In comparison with other regions, net approvals in Arab States had much higher gross rates. In addition, the Arab region in general had not been among major recipients of special-purpose contributions provided by donor countries to UNIDO; the overall increase was mainly due to the growth of self-financed trust-fund assistance - a state of affairs similar to that in Latin America. As for future potential for technical cooperation programmes in the Arab States (including African Arab States), increased approval was expected for projects funded under the Montreal Protocol and implemented by UNIDO. Projects in Arab countries represented about 27 per cent of total allocations for overall projects in 1993 under the Montreal Protocol. Technical cooperation provided to the Palestinian people would be another area of growth; and a total of eight UNIDO missions to Arab States were scheduled for the remainder of 1994 and 1995. Those missions would increase UNIDO's presence as a United Nations agency providing technical cooperation assistance to Arab States in the industrial field. Nevertheless, he was concerned that if account was taken of the demand identified thus far in Africa, the Arab States, and especially the least developed countries, the amount of UNIDO's resources available to satisfy those demands was diminishing. UNIDO was faced with a dilemma: at Yaoundé, Member States had supported the idea that UNIDO should be a more demand-oriented organization, yet the funds available were less and less directed towards the specific demands in question.

34. On the issue of regional representation, many statements had referred to the desirability of setting up UNIDO Country Director offices in various localities. In that regard, UNIDO was again faced with the problem of dwindling resources. In some cases it had been possible to maintain UCD offices thanks to specific cost-sharing and contributions by some of the countries involved. In 1995 about 10 of the posts financed by UNDP resources would no longer have the necessary financing. That was a matter for concern in the light of the need to strengthen field representation. His intention was to present a proposal in that regard to the next session of the Programme and Budget Committee. At the same time, he intended to renegotiate assistance from UNDP to the extent possible. However, he was not optimistic as to the outcome; UNIDO had very good relations with UNDP, but the fact was that resources were simply not available. UNIDO was one of the few organizations to have received support for its field representation offices; most organizations supported their field representation offices through their regular budgets.

35. On the situation regarding resources, he was doing his utmost to ensure that both the regular and the operational budgets were used to the best effect. Regarding the regular budget, the situation currently seemed to be reasonably good. However, it was important to take a creative view of the future. UNIDO's Constitution restricted the percentage of the regular budget to be used for technical cooperation to 6 per cent. That provision dated from a time when the Organization had had access to other funds for technical cooperation, especially from UNDP. Member States might perhaps like to consider the implications of that restriction for the future. Some Member States had expressed the view that the provision should be changed, and that it should be possible for internal savings achieved in the regular budget to be channelled into technical cooperation.

36. Regarding the operational budget, the main problem thus far had been the substantial reduction in UNDP resources. The immediate future certainly did not look rosy; nevertheless, much could be achieved through adequate coordination with UNDP. Following discussions with UNDP, it had been decided to establish a special working group to look into the matter. It had also been agreed to consider how UNIDO's specialized expertise could best be used in very specific areas such as private sector development. It was to be hoped that further discussions with UNDP would lead to a better use of that expertise. However, such an outcome depended on communication; communication with the UNDP resident representatives must be enhanced. In many countries UNIDO had no representative, and consequently did not know what resources were available. He would do his utmost to rectify the situation in that regard. It had already been agreed with UNDP that, whenever possible in future, UNIDO would try to be present at subregional meetings of UNDP resident representatives, to brief them on its activities.

37. All possible efforts must be made to mobilize additional resources for the Industrial Development Fund and through trust funds. In some regions, very important changes had been seen. The more advanced developing countries could certainly make a better contribution in that regard; indeed, some were already doing so. That whole issue would of course be explored in greater depth at the coming session of the Programme and Budget Committee.

38. Turning to rationalization of expenditures and cost-cutting, he said that if current trends continued there might be a $1.2 to $1.3 million deficit in the Organization's operational budget at the end of 1994 - a situation he would do his

utmost to avoid. If he was unable to mobilize additional resources and improve delivery during the remainder of the year, he would have to make further cost reductions. Substantial reductions had already been achieved in Buildings Management. In the area of travel expenses, where costs were often more substantial than was realized, a voluntary scheme whereby staff availed themselves of APEX fares wherever possible had met with a heartening response. Some other areas where costs might be reduced called for expert analysis: he had thus requested the Director of Administration to continue the work of the Task Force on Rationalization of Expenditures and Cost Reduction. The Task Force was looking at a number of areas such as communications, buildings management and energy use, some of which required agreement with the other Vienna-based institutions. Much work had been done in that regard, and he expected to present a concrete report on the question to the next session of the Programme and Budget Committee.

39. Another area of cost reduction identified in 1993 was the issue of home leave entitlement. He assured the Ambassador of the Philippines, Asian representatives and other representatives of the Group of 77 and the industrialized countries who had expressed concern in that regard that he was reviewing the matter. The issue was not a straightforward one: as Director-General, he had to look at all the issues in order to find appropriate solutions in the best interests of the Organization as a whole. Thus far, two meetings with staff had been held in the context of the Joint Advisory Committee (JAC), to look at possibilities for reducing the present entitlement, comparing trends elsewhere in the United Nations system, and considering the impact of possible changes in terms of administrative costs. He, too, was convinced of the need for an immediate solution, and would ensure that in the coming weeks the necessary meetings with staff would be held through JAC. On the basis of those meetings he would take a decision and present his report to the coming session of the Programme and Budget Committee. In the interim, a detailed study would be made of the issue, of alternative solutions, and of the manner in which they should be implemented at administrative level. He asked the Board to show forbearance during that period. Some additional information was already available and could be supplied on request; information contained in the comparative study on the other organizations could be supplied as soon as the study being undertaken by the United Nations system within the Consultative Committee on Administrative Questions (Personnel and General Administrative Questions) was available. Any information that Member States could supply would also, of course, assist him in taking an effective and fair decision, in full knowledge of its implications. In that regard, it should be borne in mind that staff had recently been affected by the personnel reduction exercise, and that they had had no salary increase during the past four years.

40. On the question of women in development, questions had been raised concerning the presence of women in UNIDO, and concerning women in industrial development. On the former issue, the situation had improved following the recent promotion exercise. Regarding women at the P-5 level and above, they were now represented in a slightly higher percentage than had been the case prior to the staff reduction exercise. A series of procedures were being established which should facilitate the recruitment and promotion of women. However, the Organization was having to make considerable efforts to find women candidates; there had, for example, been no women applicants for some of the recent vacancies advertised. He urged Member States to assist in that regard.

41. Regarding women in industrial development, UNIDO had been very active in seeking to honour the commitments made at Yaoundé. It had been working on a strategy to improve programmes and projects concerning women in industrial development. Its main activities for the remainder of the year included backstopping and follow-up of regional studies on the participation of women in manufacturing, as well as other activities associated with the preparations for the Fourth World Conference on Women to be held in Beijing in 1995. Secondly, the Secretariat was finalizing a training manual for in-house gender-awareness training, and intended to run three to five training sessions. Thirdly, identification, formulation, execution and monitoring of technical cooperation activities in relation to women in industrial development were proceeding. A number of successful projects in various parts of the developing world should serve as examples and models for an expansion of UNIDO's activities in that regard, to the extent that additional resources were made available. Some countries had already made important contributions to programmes for women; he urged other countries to increase their contributions in that area.

42. Some speakers had referred to the issue of regional and country representation. He was doing his utmost to ensure that the existing imbalance was redressed. Some regions and countries were certainly underrepresented. But the situation could not be rectified unless staff were recruited; and in the year since his appointment as Director-General, only two Professionals had joined the Organization, although applications for six other vacancies were being considered. It was to be hoped that in the near future more staff from underrepresented regions could be recruited if posts were available, bearing in mind the present freeze on posts under the operational budget. It must also be borne in mind that UNIDO needed staff of the best quality in order to deliver services of the best quality, and that account must be taken of candidates' capabilities when filling vacancies. Nevertheless, he felt sure that a significant improvement would be apparent soon, once recruitment picked up.

43. In conclusion, he thanked representatives for their comments and constructive criticisms. His concern, and that of his staff, was to serve UNIDO better and in a transparent manner. The work of programme development and formulation of strategies for various issues and sectors had begun, and the focusing of the work was one of his primary concerns. He was sure that at the next session he would be able to report substantial results in that direction.

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES IN THE 1990s (IDB.12/6)

ECONOMIC AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES (IDB.12/3)

44. Mr. LATORTUE (Managing Director, Country Strategy and Programme Development Division), introducing the agenda items, said that, since the

fifth session of the General Conference, work had begun on formulating a plan of action to implement the conclusions reached by the Second Ministerial Symposium on the Industrialization of the Least Developed Countries (LDCs). In 1993, a seminar on private sector development and privatization policies, strategies and methods in connection with LDCs in Africa had been organized in the United Republic of Tanzania for English-speaking countries. A similar workshop was planned for June 1994 in Burkina Faso for francophone countries. A series of projects was currently under way, including a programme for development of the traditional textile industry in Africa. The same programme was also being considered for English-speaking LDCs in southern Africa. Following a mission to Yemen in February 1994, a project involving a seminar on private sector development and privatization policies had been scheduled for next May for Asian and Middle Eastern countries. However, in view of the current situation in Yemen, consideration was being given to holding the meeting in Nepal for the countries of the region. As regards the only LDC in the Latin American and Caribbean region, namely Haiti, no projects could be organized owing to the existing embargo and suspension of aid.

45. Mrs. BLICK (Uganda) said that it was becoming increasingly difficult for the developing countries to compete in the world market-place. It was gratifying to note that, with its approved new structure, UNIDO was to remain relevant and responsive to the changing global environment, and her delegation hoped that the restructuring exercise would benefit all Member States, especially the least developed countries, which were in most need of the Organization's services. The future primary focus of UNIDO should thus be on the industrialization needs of the LDCs, which faced particular constraints in terms of resources and infrastructure. As long as the gap between the developed and the developing countries continued to widen, the Organization would not have succeeded in carrying out its mandate.

46. It was reasonable to expect the African region, in which the majority of the LDCs were located, to be adequately represented in the top decision-making posts of the Organization, without prejudice to the principle that the highest standards of competence and qualifications must be required for appointments. The existing inequalities in geographical representation at all staffing levels should be eliminated.

47. It was essential for the LDCs to pursue industrialization as a means of gaining access to developments in modern technology and to contemporary civilization. That process required the cumulative efforts of peoples and organizations, and many problems needed to be overcome in order to make industrialization meaningful and self-sustaining. The private sector was assuming an increasing role in the industrialization process and the demand for UNIDO's services was shifting towards private-sector development needs. The Organization should continue to support the development of the private sector in its overall industrial development efforts.

48. Among UNIDO's activities, the Industrial Development Decade for Africa (IDDA) programme and the UNIDO Country Director programme were of paramount importance and should be strengthened. The resources made available through economies stemming from the restructuring of UNIDO should be channelled to the UCD programme so that all LCDs could be provided with the services of a UNIDO Country Director.

49. Mr. RAHMAN (United Nations Conference on Trade and Development), speaking on agenda item 6, said that the work of the Industrial Development Board on the agenda item under consideration was particularly relevant to UNCTAD as the latter was engaged in preparations for the high-level intergovernmental meeting to be held in 1995 to conduct a mid-term global review of the Programme of Action for the Least Developed Countries for the 1990s (see United Nations General Assembly resolution 48/171). The Programme of Action contained a substantive section on the development of the industrial sector and the need to promote the complementary and simultaneous development of the rural economy and to take into account regional and subregional markets.

50. UNCTAD had paid attention to the area of industrialization in the LDCs in its analytical work. In the last issue of its annual report on the least developed countries, it had considered the question of the impact on industry of the various liberalization instruments put in place in the LDCs. It had been concluded that across-the-board devaluation in the LDCs could result in intensifying foreign-exchange constraints and thus strangle industries that were dependent on imported inputs and intermediaries; the use of a multi-tiered exchange arrangement with preferential treatment for industries that were net foreign-exchange earners might be a more realistic alternative. The continuation of high interest rates with credit restrictions had often "crowded out" private investment and caused de-industrialization. Price liberalization measures themselves had little chance of success in the absence of complementary action to overcome human, institutional and infrastructural obstacles to entrepreneurial responses to new investment and trade opportunities. Restructuring and privatization of public enterprises in the LDCs might not always be the most appropriate means of enhancing efficiency; privatization should rather be promoted so that it simultaneously fostered the development of indigenous entrepreneurship.

51. The Trade and Development Board, at its recent session, had reached the following main conclusions concerning the implementation of the Programme of Action: the recent poor performance of the LDCs was attributable mainly to unpredictable weather conditions, natural disasters, political and civil strife, and unfavourable external conditions; adjustment and reform efforts of LDCs provided a context in which growth and structural transformation could reinforce each other; education, training and health-care policies could be further improved without detriment to other important sectors of expenditure; all donors should be urged to fulfil official development aid (ODA) targets and commitments contained in the Programme of Action; the debt burden of LDCs, particularly those in Africa, was a serious constraint on their development, the increasing share of multilateral obligations in the overall debt stock and debt servicing being of particular concern; and the special and differential measures for LDCs included in the Final Act of the Uruguay Round should be implemented expeditiously and in a supportive manner.

52. As regards the preparatory meetings for the mid-term global review, the Trade and Development Board had recommended that the high-level intergovernmental meeting to be held in 1995 should be preceded by a one-day meeting of senior officials, and that a meeting of governmental experts of donor countries and multilateral and bilateral financial and technical assistance institutions with representatives of the LDCs should be convened in early 1995. Four preparatory expert group meetings were being planned, covering the following: trade diversification; domestic-resource mobilization and fiscal reforms; external financing and debt; and women in development in LDCs. A number of inter-agency and regional preparatory meetings had also been recommended by the Trade and Development Board. In that connection, the organization of a sectoral appraisal meeting on industrialization in LDCs preparatory to the high-level intergovernmental meeting could be considered. That would enable the mid-term global review to benefit from the important work carried out within UNIDO and thereby facilitate the formulation of further national and international measures.

53. Mr. SOLENDIL (Turkey) said that his delegation fully supported the efforts made by UNIDO in cooperation with the LDCs and looked forward to the results of the review currently being undertaken by the Secretariat of the conclusions and recommendations that had emerged from the Second Ministerial Symposium on the Industrialization of the Least Developed Countries, held in 1993. The successful implementation of those recommendations called for the active support of Member States and the cooperation of the LDCs as partners. His delegation thus urged all parties concerned to spare no effort in pursuing that goal.

54. His delegation was convinced that the mobilization and development of human resources in the LDCs was a vital element in the industrialization process. Since 1988, Turkey had, in cooperation with UNIDO, organized annual in-plant group training programmes on the cement and sugar industries, medicinal plants, iron and steel foundries, fruit and vegetable processing and textiles, in which 433 specialists from 74 developing countries had participated to date, and in 1993 had held group training programmes in energy conservation, cement and building materials and the cement industry.

55. His delegation was appreciative of UNIDO's ECDC/TCDC activities and believed that investment promotion was an important area of cooperation, in which the opportunities afforded by the increasing trend towards investment among the developing countries could be exploited. A workshop was planned for 1994 with a view to the establishment of cooperation between UNIDO and the Black Sea Economic Cooperation Council.

56. Mr. POUPARD (France), speaking on agenda item 6, said that the priority accorded to industrialization of the LDCs was in accordance with UNIDO's mission. That principle had been reasserted during both the eleventh session of the Board and the fifth session of the General Conference. In his delegation's view, the difficulties currently experienced by other countries, particularly the countries in transition, should not constitute a reason for any reorientation of UNIDO's activities, provided that due account was taken of development priorities.

57. The Second Ministerial Symposium on the Industrialization of the Least Developed Countries held in 1993 had stressed the paramount role that could be played by industrialization, in connection with small and medium-sized enterprises, in bringing about sustainable development. It was also necessary that access to financial resources should be ensured and that the development of human resources should be promoted and supported. Those were all functions of UNIDO, whose structural reforms and working methods should incorporate measures geared to the situation of the LDCs and to meeting their specific needs.

58. The Second IDDA and the problems of the least developed countries were interlinked. His delegation would support every effort on the part of the Director-General and the Secretariat to make IDDA a concrete programme focused on practical projects in the field that would contribute to the development of the African continent. It was necessary that the best possible use should be made of the funds invested in the programme, to the real benefit of the peoples concerned.

59. Mr. WANG Zhixi (China), speaking on agenda item 8, said that the economic recession had caused the developed countries to adopt a more conservative approach to their economic policies in recent years, resulting in a decrease in capital flows to the developing countries. ECDC/TCDC was thus assuming greater importance in the world economy. The UNIDO Secretariat was to be commended on its response to the resolutions concerning prioritization of ECDC/TCDC that had been adopted by the General Conference at its fifth session, and he noted with satisfaction the endeavours of the Organization to promote such cooperation and the activities that had been successfully carried out to that end. Thanks to its organizational capability, expertise and information sources, UNIDO had a special role to play in strengthening ECDC/TCDC. As a result of the establishment of a new world economic order, the form and content of ECDC/TCDC had changed, and it was to be hoped that UNIDO would seek new ways and means of promoting and further developing activities in that area.

60. Following the reorganization of UNIDO, the ECDC/TCDC function had been integrated into investment and technology promotion activities, and its staffing allocation had been reduced. His delegation wished to stress that the necessary measures should be taken to ensure that ECDC/TCDC continued to receive sufficient attention within the Organization.

The meeting rose at 6 p.m.

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# Industrial Development Board

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Held at the Vienna International Centre, Vienna,
on Wednesday, 11 May 1994, at 10 a.m.

President: Mr. EL HUSSEIN (Sudan)
later: Mr. ARCILLA (Philippines)

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The meeting was called to order 10.25 a.m.

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES IN THE 1990s (continued) (IDB.12/6)

ECONOMIC AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES (continued) (IDB.12/3)

1. Mrs. LJUJIC-MIJATOVIC (Observer for Bosnia and Herzegovina) said that the war in her country had caused such enormous loss of life, destruction and suffering that it was difficult for it to give proper thought to reconstruction. Her Government nevertheless realized that it should not delay the necessary long-term planning and that reconstruction should take place in stages. The process would be more successful if backed by foreign capital. Its effectiveness would depend on the pursuit of basic strategies aimed at the following objectives: the creation of a self-reliant economy; the greatest possible integration of the country into the international division of labour; the reorganization of its economic structure for the benefit of sectors which were labour-intensive, sectors relying on local raw materials and sectors employing modern technology; the accelerated development of a new range of economic activities; the solution of the socio-economic problems of refugees and exiles; and, as a matter of priority, the development of the economic infrastructure and the improvement of living conditions, with an emphasis on the repatriation of refugees.

2. As far as the economy was concerned, priority would be given to four areas of activity. The first was development of the infrastructure, which in most cases meant the total reconstruction of the country's road, rail and air traffic networks, its electricity, water and gas supplies and its telecommunication system. Secondly, it would be necessary to reactivate as quickly as possible the traditional sectors of production, such as food, textiles, building materials, toilet articles, cosmetics, pharmaceuticals, medical and orthopaedic supplies, agricultural products, domestic goods and footware and other leather goods. The third area would be the expansion of production on a long-term basis in order to further the country's economic development; that might mean a departure

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from the pre-war economy, with an emphasis on sectors in which Bosnia and Herzegovina had a comparative advantage, and consequently the need for assistance from developed countries in planning and introducing a new economic system. Finally, it would be important to redevelop the country's financial sector and create a modern banking system capable of rescheduling the loans granted before the war started.

3. She hoped that UNIDO and its Members would play a constructive role in the rebuilding of her country.

4. Mr. ABDALLA (Sudan) commended the Director-General for his report on the item (IDB.12/6), which described the action taken by UNIDO to assist the industrialization of the least developed countries in accordance with General Conference resolution GC.4/Res.10 and Board decision IDB.11/Dec.13. The Organization had also to implement the Paris Declaration and Programme of Action of the Second United Nations Conference on the Least Developed Countries. Much remained to be done to further industrial development in those countries, in which industrial production had risen by only 6.4 per cent since the beginning of the decade, and in which economic and social conditions were worsening, especially in Africa. Although they possessed suitable raw materials, the least developed countries had been unable to create an adequate industrial base for more rapid development. Despite their efforts to move from a command economy to a market one, they were held back by lack of technological know-how. They looked especially to UNIDO to provide them with consultancy services which would help overcome that problem.

5. The second ministerial Symposium on the Industrialization of the Least Developed Countries had adopted recommendations whose implementation could improve their situation. Crucial elements in that process were a regular flow of financial resources for the implementation of the Paris Declaration and Programme of Action, the mobilization of the human resources of the least developed countries, which entailed adequate training of their nationals, and the transfer of technology to those countries. It was essential to expand industrial production in the least developed countries in order to narrow the gap between them and the developed nations. The Organization, with support from donor countries and other development agencies, had a major role to play in carrying out that difficult task.

6. Mr. LEE (Republic of Korea) expressed satisfaction at the work done by UNIDO to promote the industrialization of the least developed countries. Those countries had made commendable efforts themselves in restructuring their economies through far-reaching structural adjustment programmes. Despite those efforts, however, their level of industrialization remained low, because they lacked skilled human resources and industrial infrastructure. It was crucial that international assistance should be directed towards remedying that situation and that UNIDO should do more to help the least developed countries expand their human resources, technology and support services for industry. His delegation commended UNIDO for the action it had taken in 1993 to promote economic and technical cooperation among developing countries (ECDC/TCDC), especially in regard to investment promotion and technology transfer. The Organization should devote more resources to its ECDC/TCDC work and explore the possibility of attracting increased funds for it from donor countries. His delegation reiterated the request made to the Director-General in General Conference resolution GC.5/Res.10 to seek information from developing countries on their needs and capabilities in the field of industrial development. UNIDO could play a useful part in the collection, analysis and provision to developing countries of information on potential areas for ECDC/TCDC in industry. ECDC/TCDC should focus on promoting regional cooperation as well. Activities initiated by UNIDO, such as the training programme for experts, should be action-oriented in order to achieve practical results.

7. Mr. ARASTOU (Islamic Republic of Iran) fully supported the views expressed by the Director-General in his report on industrializatio of the least developed countries (IDB.12/6). UNIDO should implement the recommendations made by the second ministerial Symposium on the Industrialization of the Least Developed Countries. With regard to economic and technical cooperation among developing countries (ECDC/TCDC) his delegation approved the contents of the report on that item (IDB.12/3) and believed that ECDC/TCDC should be a major priority of the restructured UNIDO. It should be expanded both multilaterally and bilaterally and his Government's policies were directed towards that end.

8. In the pursuit of regional South-South cooperation, an agreement had recently been signed in his country between the Economic Cooperation Organization (ECO) and UNIDO. He hoped that UNIDO would cooperate closely with ECO, especially in the environmental sector. He thanked the Director-General for his commitment to the success of the agreement.

9. The level of cooperation between his country and UNIDO in regard to TCDC had increased, a major feature having been the Consultation on Downstream Petrochemical Industries held in Tehran in November 1993. The recommendation made by the Consultation with regard to the work to be done by UNIDO should be implemented.

10. His Government was ready to participate in the establishment of an Industrial Promotion Service office in Teheran.

11. Mr. KOUAME (Côte d'Ivoire), referring to the problems of the least developed countries, said that UNIDO was not making its full contribution to implementing the programme for the Second Industrial Development Decade for Africa. In terms of staff deployment alone the programme was not receiving the attention it deserved, having been relegated to the level of a mere sectoral programme. He asked the Managing Director of the Country and Programme Division to explain what UNIDO was doing to assist the general development and industrialization of Africa and the least developed countries.

12. Mrs. MACHADO QUINTELLA (Brazil) expressed the hope that UNIDO would do more to act on the recommendations of the second ministerial Symposium on the Industrialization of the Least

Developed Countries. The Organization should make more resources available for projects in those countries - without prejudice to its assistance to other developing countries - in order to make up for the significant decrease in project approvals for the least developed countries in 1993.

13. With regard to economic and technical cooperation among developing countries (ECDC/TCDC), her delegation hoped that the position of that activity in the new UNIDO organizational framework as part of the Industrial Cooperation and Consultations Service of the Investment and Technology Promotion Division would help to increase the relevance, cost effectiveness and sustainability of the Organization's projects. ECDC/TCDC could be not only an effective means of mobilizing resources but also a source of savings for UNIDO itself. Since the different sectors of industry were not equally advanced in all developing countries, some of them could profit from the experience of others; recipients of ECDC/TCDC could improve their industry relatively cheaply while its suppliers, by providing it, could expand their own technological capacity.

14. Her delegation expressed the hope that more Brazilian experts would be recruited for UNIDO's technical cooperation activities.

15. Mr. AL-ZEID (Saudi Arabia), speaking on agenda item 6, said that the course of international events had made it clear that the hopes of the least developed countries for a better future could only be realized through coordination among themselves and within their regions with a view to forming integrated blocs for industrial purposes, drawing on the raw materials at their disposal. It was a project that he hoped UNIDO, with the assistance of the industrialized countries, would support.

16. Obviously, UNIDO could not be expected to put an end to the terrible inequalities in the distribution of wealth and in economic growth rates between the wealthy industrialized countries and the LDCs. According to the United Nations Human Development Report for 1992, annual average per capita income was $20,570 in the rich countries and $350 in the poor countries and the wealth of the former countries exceeded that of the latter 150-fold. International indebtedness and high interest rates were a heavy burden on the developing countries in general and the LDCs in particular, compounding the difficulties they encountered in implementing the structural reforms imposed by the World Bank and donor countries. He firmly hoped that UNIDO would be able to carry into effect the ideas and solutions set forth in its documents.

17. Saudi Arabia had not stood idly by as the situation in the LDCs deteriorated. It was supporting the development of their national industries both bilaterally and through its annual donation to the Industrial Development Fund. His delegation urged UNIDO to do its utmost to mobilize funds from reliable sources to implement the Industrial Action Programme for the Least Developed Countries. It further called on the donor industrialized countries to provide maximum material and technical support to the LDCs for industrialization in coordination with UNIDO.

18. Mr. SINGH (India) said that his delegation broadly agreed with the programme in support of the industrialization of LDCs outlined in paragraph 4 of document IDB.12/6, adding that UNIDO's impact would be enhanced by the new approach of operating within a country programming framework. Developing countries such as India were well placed to assist the LDCs in such areas as human resource development and small- and medium-scale enterprises.

19. His delegation attached very great importance to ECDC/TCDC and feared that the staff resources available for that purpose in UNIDO might be inadequate. It urged the Secretariat to press ahead with the implementation of General Conference resolution GC.5/Res.10, especially through the development of data banks and information on developing countries' needs and on the potential that could be exploited for ECDC/TCDC. Networking with data banks in other organizations was also important.

20. His delegation felt that UNIDO's efforts to use more experts, equipment and services from developing countries in its technical cooperation activities should be intensified, with regular updating of lists and details of suppliers. Requests for offers of equipment and services should be publicized well in advance in the media and sent to major business organizations and permanent missions. Enterprises in India were being encouraged to register with UNIDO and send representatives for direct discussions with UNIDO officials.

21. India would be glad to cooperate with UNIDO in promoting closer links between more industrialized developing countries and LDCs. It looked forward to receiving more details on the programme. His Government was funding several South-South cooperation projects under its contribution to the IDF. Bilaterally, it ran an ongoing programme of Indian Technical Economic Cooperation (ITEC), which was currently being reviewed to improve its effectiveness, and a Special Commonwealth African Assistance Programme (SCAAP). Under those programmes it provided assistance in technical training, rural development, small-scale industries, banking, electronics, hand-tool design, solar energy and other areas. Study tours from developing countries to Indian institutions had been organized. Technical cooperation in 1993 had amounted to the equivalent of about $49 million.

22. At the multilateral level, India had been host to the fourth summit of the Group of 15 developing countries in March 1994. The Group sought to develop industrial projects and business interaction among the developing countries, using voluntary contributions from the member States. A South Investment Trade and Technology Data Exchange Centre was being developed by Malaysia. India was implementing projects for a vocational training centre, a gene bank for aromatic plants and solar energy applications. Other projects included a South-South Renewable Energy Promotion Centre and a Petroleum and Petro-Chemicals Corporation. Alongside the summit, a private-sector business forum with representatives from the same countries had been held to promote trade, investment and technology transfer. The summit

had decided to establish a committee on trade, investment and transfer of technology with strong ties to the private sector and to step up cooperation on small-scale industries, especially in Africa, through appropriate projects.

23. His delegation suggested that UNIDO could do more to promote economic and technical cooperation among developing countries by holding regular seminars and workshops for UNIDO staff to familiarize them with ECDC/TCDC as an instrument of technical cooperation. The organization should make full use of the opportunities offered by strong economic growth in some developing countries to build industrial and technical cooperation among the group as a whole. India would fully support it in that task.

24. Mr. SAAD (Qatar), speaking on item 8, said that the Director-General's recent proposals for reordering UNIDO's priorities in the light of General Conference resolution GC.5/Res.18 were of key importance for consolidating the Organization's coordinating role in industrial development in the United Nations system and meeting the urgent need for economic and technical support among developing countries. His delegation welcomed the placement of the ECDC/TCDC function within the Investment and Technology Promotion Division and its linkage with the International Cooperation and Consultations Service, a move that would underpin the programme for investment promotion and technology transfer.

25. UNIDO's programme for ECDC/TCDC, if fully supported by Member States, would help to promote the rational use of the human, material and financial resources and technology available in the developing countries. His delegation therefore welcomed the increase in contributions for that purpose to the Industrial Development Fund as well as the trend towards increased financing from the Regular Programme of Technical Cooperation.

26. In UNIDO's technical cooperation projects, priority should be given to human resource development and greater use should be made of experts, services and equipment from developing countries. The figure of 45.3 per cent for national experts assigned to projects in developing countries mentioned in the annual report for 1993 was a good start and he hoped that the trend would continue.

27. Investment promotion forums played an important role in ECDC/TCDC. The two workshops organized to prepare for investment forums to be held in 1994 for the Arab countries and the Black Sea countries had been particularly useful.

28. The technology transfer programme was one of the most responsive to the needs of developing countries. UNIDO was well placed by virtue of its basic structure, its expertise and its contacts to provide valuable assistance in that area.

29. International and regional intergovernmental organizations played an important role in the promotion of ECDC/TCDC. His delegation welcomed the increased cooperation in the Arab region with the Economic and Social Commission for Western Asia (ESCWA) and the Arab Industrial Development and Mining Organization in implementing training programmes and organizing workshops for the development of cooperation among the countries of the region.

30. Mr. BOLIVOGUI (Guinea) thanked the Secretariat for the attention it brought to bear on the development problems of the least developed countries. UNIDO had spared no effort to implement the Paris Declaration and Programme of Action. The reform at present taking place in its organizational framework and staff structure would help to enhance the impact of its assistance to those countries. It was essential, however, that it should take account of the common position of the African countries on the subject.

31. His country valued the assistance it received from UNIDO in its industrial development. Examples were a project for the strategic management of industrial development and a project for small and medium-sized enterprises and industries. The results of the latter project were a source of inspiration for other countries whose economic situation resembled that of his own. Guinea looked forward to the approval of two further projects in the preparation of which it had received support from UNIDO, namely, a project concerning women entrepreneurs, funded by UNDP and the African Development Bank, and a project dealing with negotiation and transfer of technology. Those projects met the Organization's aims of mobilizing human resources and integrating women into development.

32. His Government greatly appreciated the services rendered by field staff in Guinea and urged the Secretariat to strengthen the Country Director programme as a means of increasing the effectiveness of UNIDO's technical assistance to developing countries and especially to the least developed countries.

33. Mr. PUTHO (Thailand) said that his country would continue to support UNIDO's activities relating to ECDC/TCDC and assistance to LDCs. Given that Thailand was a more advanced developing country, his Government had changed its role to that of a contributor in the context of South-South cooperation, setting aside an increasing part of the annual budget for that purpose. The main beneficiaries under the Thai Aid Programme were LDCs, mainly those in the Indo-Chinese Peninsula and in Africa.

34. His delegation hoped that UNIDO would be able to find resources to continue the development of an LDC information system, a project that had had to be shelved for lack of funds.

35. Thailand made a general-purpose non-convertible contribution to the International Development Fund each year and intended to increase it in the years ahead. It supported UNIDO in its efforts to find new sources of financing, particularly for ECDC/TCDC, in order to counterbalance the sharp decline in funding by several major IDF donors. It also supported the increased use of experts, equipment and services from developing countries in technical cooperation projects.

36. Mr. DE MARIA Y CAMPOS (Director-General) reaffirmed that UNIDO attached great importance to the development of LDCs. It had for that reason organized the Symposium for the Industrialization of the Least Developed Countries in Yaoundé concurrently with the General Conference. It had emerged that the basic issue was one of funding. Support for the LDCs had stagnated in many cases and had actually declined in others, and it was

distressing to note that the number of LDCs was increasing each year. He was therefore convinced that a new strategy was essential with respect to fund-raising among other matters. The indigenous institutional capacity of those countries in terms of human resources had to be strengthened as a prerequisite for self-sustaining development.

37. He was pleased to note that not only developed countries but countries such as India, China, Saudi Arabia, Thailand and many others had been making specific contributions to the Industrial Development Fund that could be used for programmes on behalf of the LDCs. At all events, Member States could rest assured that UNIDO would give very special attention to those countries, changing its perhaps unduly generalized strategy to focus on regions, subregions and individual countries.

38. Turning to economic and technical cooperation among developing countries, he said that it had been decided to integrate the ECDC/TCDC unit into the general system of cooperation and consultation with a view to identifying concrete projects and mobilizing funds among developing countries. With the help of its Member States, UNIDO hoped to achieve results first and foremost in terms of investment, transfer of technology and the solution of environmental and energy problems. Some thought had already been given to possible strategies for cooperation in the different regions and subregions. The representative of the Islamic Republic of Iran had mentioned a recent meeting with the Organization for Economic Cooperation and Development (OECD) to look for ways of strengthening cooperation between UNIDO and the members of that Organization. Similar consultations had taken place with Arab countries and an agreement was about to be signed with the League of Arab States. UNIDO was also working with the various regional commissions, considering new plans for the exchange of information and specific programmes to speed up regional industrialization.

39. UNIDO attached particular importance to the increased use of experts, services and equipment from developing countries, but the basic problem was one of coordination with national offices that were in a position to provide experts. It was hoped to establish a programme of action to improve coordination with those offices, and he asked all Member States to assist him in that process.

40. Mr. LATORTUE (Managing Director, Country Strategy and Programme Development Division) said that UNIDO's activities for the industrialization of the least developed countries were closely guided by the Paris Declaration and Programme of Action and by the decisions of the fifth General Conference. They fell into three broad categories. The first was the development of human resources in the least developed countries, including training in the preparation and evaluation of industrial projects. In many of the countries concerned, projects had failed to yield the desired results because of the lack of feasibility studies at the outset. The second category covered the promotion of the role of the private sector in the industrialization process. Activities in support of privatization took three different forms: support for institutions, both governmental and non-governmental, which fostered the growth of the private sector; support for private enterprises themselves and for activities to boost the competitiveness of private enterprises in the least developed countries; and help in the acquisition and transfer of technology. As far as the last was concerned, because the least developed countries were often exploited when seeking to acquire new technology, a special programme had been established by UNIDO to train local people in the skills required to negotiate the acquisition of technology. Finally, UNIDO was actively involved in investment projects. In order to accelerate the pace of industrialization in the third world, and especially in the least developed countries, investment promotion and the creation of new enterprises, together with industrial rehabilitation, must play a much more significant role, both in the private and in the public sector.

41. Reference had been made to the need to develop the processing of natural resources in the least developed countries, where investment was lacking and productivity was low. With that in mind, it was hoped to organize regional meetings for those countries, to enable them to collaborate in the fuller development of their own resources. Because of the ongoing process of liberalization in international trade, it was vital for their industries to be competitive. To that end, UNIDO provided major support in cooperation with other concerned agencies and the regional commissions in Africa, Asia and in the Arab world. UNIDO was also working actively with the Food and Agriculture Organization in the field of agro-industry and with the World Health Organization in the use of medicinal plants, an area in which many of the least developed countries possessed valuable expertise.

42. On the question of financial resources, it was important to persuade the traditional donors to increase their contributions, but also mobilize additional funds from other developing countries. The representatives of Brazil, China, India and Thailand had already mentioned their specific contributions, and he expected dialogue with those countries to increase. A special unit had been established within UNIDO to mobilize funds for resource development. Its mandate would not be confined to eliciting funds from the traditional donor countries; it would strive to operate in the light of the priorities defined by the least developed countries themselves.

43. Turning to the Second Industrial Development Decade for Africa, where most of the LDCs were, he said there seemed to be a superficial impression that the Organization was attaching less importance to the Decade than in the past, owing to the relocation of the office responsible. However, that was due to the restructuring exercise within the Organization. The main task now was to create a unified approach to the Decade, so that it would show results in terms of programmes as well as funds. There was every intention on the Secretariat's part that the Decade should make a successful contribution to the industrialization of the continent.

44. With regard to economic cooperation among developing countries, all Member States were in favour of encouraging it. The problem was how to

avoid an over-narrow interpretation of South-South cooperation, which had wrongly been associated with a single section in the Organization. The scope of economic cooperation among developing countries had now been expanded to include South-South cooperation, resulting in a much more coherent programme, which he was sure would yield good results. UNIDO would be maintaining a high level of activity in South-South cooperation, an area in which it could make an effective contribution to the industrialization of the third world.

45. Mr. ARASTOU (Islamic Republic of Iran) referred to the effective cooperation which had taken place recently between the Division and his own Permanent Mission. He expressed his gratitude to the Managing Director for his efforts on behalf of the least developed countries.

UNIDO'S CONTRIBUTION TO THE SYSTEM-WIDE ACTION PLAN ON DRUG ABUSE CONTROL (IDB.12/4)

46. Ms. TCHEKNAVORIAN-ASENBAUER (Managing Director, Industrial Sectors and Environment Division) explained that UNIDO's activities in support of the Action Plan constituted a sub-activity within its environment programme. She stressed the importance of the crop substitution programme. Farmers must be offered an economic incentive to replace the cultivation of illicit drug plants by other crops, and those new crops must be competitive on the market. Spices and medicinal plants made good substitutes. It was equally important to develop the rural infrastructure, so that the farmer was able to market his produce and earn an income from it. She pointed out that the farmers' current income from the cultivation of poppies or coca was only 6 per cent of their market value; in Asia and Latin America, the yield from one hectare sold for $2,000. Since the farmer's percentage was so small, he would be prepared to switch production to a crop yielding him a higher proportion of its market value. The crop substitution programme included training for farmers, and especially for women, who were also involved in the cultivation of illicit drug crops. It also focused on building up the agro-industrial sector.

47. In view of UNIDO's experience in the agro-industrial sector, it had been approached by UNDCP during 1993 to join in an ongoing programme in Bolivia, involving 11 agro-industrial complexes. The eleven plants had been running with operating losses of $100,000 per month. Once UNIDO had entered the picture, the losses had been reduced by 70 per cent to $30,000 per month. UNIDO had made changes in the management, the product range and the technology, and several viable industries would soon be in place. UNIDO was also contributing to the privatization of rural industries. In Bolivia, five of the 11 existing agro-industrial concerns would be transferred to private hands during 1994.

48. Environmental protection was an important issue in the field of drug abuse control, since farmers tended to use undue amounts of pesticides when new crops were introduced. According to chapter 19 of Agenda 21, the use of pesticides must be cut back to appropriate kinds and amounts, in view of the toxic chemicals involved and their negative impact on human health and the environment. In addition, the new agro-industries must be capable of disposing of the waste generated by processing in an environmentally-friendly way.

49. UNIDO had passed another milestone the previous week during the International Conference on Chemical Safety, Stockholm, where a proposal had been made to include UNIDO as the sixth agency along with ILO, WHO, UNEP, FAO and OECD in the International Programme for Chemical Safety.

50. Two projects funded by UNDCP were now being executed in Bolivia: a project for agro-industrial development in the Chapare region, at a cost of US$ 2,567,000, and a programme for alternative development and rehabilitation in Planta Milka, at a cost of US$ 1.6 million. Iran and Pakistan had just signed an agreement with UNDCP for a similar programme costing $2.5 million, for which UNIDO was to be the implementing agency.

51. In addition to illicit drug cultivation, there was a problem in India arising from excess stocks of licitly-cultivated poppies. Unless the surplus stocks were appropriately used, for instance in making pharmaceuticals and chemicals, they could be diverted to illicit traffic. UNIDO's assistance had been requested for that purpose.

52. The need of rural areas for industrial development must be borne in mind. It was crucial to alleviate poverty in such areas if illicit cultivation of drug plants was to be prevented. Where there was no industrial infrastructure and education was lacking, poverty was a constant threat. The Agro-based Industries Branch within her Division was willing to discuss with delegations the possibility of specific programmes to alleviate poverty and provide technical assistance in rural areas, not only under the drug abuse control programme, but in general in rural industrial development.

53. Mr. SOLENDIL (Turkey) welcomed UNIDO's contribution to the System-Wide Action Plan on Drug Abuse Control. Turkey, in cooperation with UNIDO, had carried out a training programme on the small-scale utilization of medicinal and aromatic plants at the Medicinal Plants Research Centre at Eskisehir, in September 1993. Participants from 12 developing countries had attended the course, which covered the cultivation and processing of medicinal and aromatic plants, with a view to enabling participants to initiate alternative development activities. Courses had also been held on the detection and analysis of narcotics and psychotropic substances, to help participants to assist law enforcement bodies in their task.

54. Mr. BOUTOS (Greece), speaking on behalf of the European Union and its member States, expressed special appreciation for the contribution made by UNIDO to the System-Wide Action Plan. To the Organization's credit, it was one of only seven United Nations bodies which had submitted to UNDCP their agency-specific implementation plans before the publication of the update to the Plan two months previously. UNIDO had met in full its obligations under the Plan: the integration of drugs-related elements into its

activities where appropriate; consideration of the Plan at the IDB; and the submission of annual reports to UNDCP. He welcomed UNIDO's efforts to coordinate its activities with UNDCP, and hoped it would continue to work closely with the Programme. He wondered whether UNIDO could make available to Member States details of its evaluation reports on its drug-related activities, with a view to ascertaining whether such anti-narcotics projects were effective.

55. Mrs. MACHADO QUINTELLA (Brazil) said that Brazil welcomed the growing cooperation among United Nations agencies in implementing the System-Wide Action Plan and believed that UNIDO had its part to play in implementing projects to develop economic sectors and generate job opportunities in place of activities linked with the illegal production of drugs. It wished to call upon those countries in a position to do so to offer voluntary contributions to the Organization so as to enable it to strengthen its activities in that area. It should, of course, be borne in mind that UNIDO's first objective was the promotion of industrial development in the developing countries and that its role in efforts to promote drug abuse control must therefore always be a supporting one.

56. Mr. PUTHO (Thailand) said that his country was convinced that a balanced strategy aimed at reducing both demand and supply was required if drug abuse control was to be effective. He doubted if UNIDO could carry out such a strategy on its own, but believed that it could make a greater contribution to international efforts aimed at reducing the supply of drugs. The units in the UNIDO Secretariat dealing with chemical industries, including pharmaceutical industries and agro-industries, could play an important part in that connection.

57. The drug trade, although illegal, gave high returns, and suppliers were unlikely to reduce cultivation without sufficient incentives to cultivate substitute crops, which would have to yield a higher profit than the narcotic plants. His Government therefore supported UNIDO's intention to broaden its contribution to drug abuse control by covering crop substitution in the developing countries. In fact, the first pilot project of that sort had been successfully implemented in his country and was accepted by the United Nations as a model for crop substitution programmes in other regions.

58. To assist in reducing the supply of drugs, UNIDO might, inter alia, undertake technical cooperation projects relating to the utilization of narcotic plants in the pharmaceutical and fine chemical industries, the development of processed agro-industrial products with high additional value, using alternative crops, and the creation of competitive agro-industrial complexes in developing countries. The conversion of opium alkaloids into recognized pharmaceutical products and the cultivation and processing of medicinal aromatic plants into finished products could be usefully supported by UNIDO. UNIDO should also cooperate with and seek financial support from UNDCP, and Thailand wished to urge the Member States concerned, especially those where the consumption of narcotic drugs was highest, to consider making voluntary contributions to UNIDO in order to strengthen its capacity to support international efforts aimed at drug abuse control.

59. It was mentioned in document IDB.12/4, paragraph 8, that the UNDP-financed project focusing on quality aspects in the pharmaceutical industry of Thailand might have a potential for supporting drug control efforts. It should not be understood, however, that that project was focused solely on drug abuse control. It was institution-building in nature and aimed at strengthening the capability of the pharmaceutical industry in Thailand as a whole. The expertise provided under the project to the Pharmaceutical Technology Service Centre in Bangkok could enhance the capability of its staff to carry out all laboratory testing activites, including the detection of psychotropic substances contained in pharmaceuticals.

60. Mr. ARASTOU (Islamic Republic of Iran) said that cooperation between agencies and Member States and regional or subregional cooperation among Member States themselves was of critical importance in tackling the problem of drug control. His Government was particularly concerned by the position of countries through which illegal drugs transited. His own country, for example, was on the routes followed by illegal drugs from Afghanistan to Europe and to the CIS countries, and it would welcome assistance from UNIDO and UNDCP to tackle the problems of the whole subregion. As far as regional cooperation was concerned, it believed that UNDCP and UNIDO might be able to assist it and other countries through the regional economic cooperation organizations.

61. Mr. POPESCU (Romania) said that Romania recognized the importance of the role UNIDO could play in drug abuse control and was very interested in implementing the Plan. Referring to paragraph 7 of the report, he welcomed the importance given to clean technologies, waste management and environmental conservation. He had previously expressed support for the UNIDO/UNEP joint programme to set up national cleaner production centres, and he welcomed UNIDO's proposal to complement the ongoing activities of the project on environmental protection management in the Black Sea by promoting cleaner production technology in countries bordering on the Black Sea. The centre envisaged for cleaner technology had the full support of his Government, which would be prepared to have its headquarters established in Romania.

62. Mrs. TAMAYO DE ARNAL (Bolivia), commending the Secretariat on its excellent work, said that Bolivia particularly welcomed the restructuring efforts made, since it had recently begun to restructure its own bureaucracy so as to place the country on a sound economic basis which would lead to sustainable development. Bolivia fully supported UNIDO's activities to promote clean technologies and hoped that the Organization would continue to assist Member States in their search for capital to finance their development activities. It agreed that in the activities undertaken to promote drug abuse control, special attention should be paid to investment in infrastructure and in the development of high-return agro-industrial products.

63. What seemed most needed was a vision of overall sustainable development in producer countries in which conditions likely to generate alternative income and encourage the growth of productive activities could be created. Her

Government had recently begun talks with Bolivian businessmen with a view to including them in such activities and to replacing the cultivation of the coca leaf, for example, by another crop with export value. The projects carried out by UNIDO to assist agro-industrial undertakings in Bolivia sought to improve the viability of some enterprises in the region of Chapare, but did not at present cover all the needs of the region.

64. Bolivia had informed the international community of its commitment to the struggle against illicit drug trafficking. It had also put forward a clear strategy for replacing the economy that generated that traffic by another which would promote the comprehensive development of the areas in which surplus coca leaf was being produced. It wished to appeal to all friendly Governments and financial institutions to support its efforts and believed UNIDO should continue to include the topic under discussion in its provisional programme for the next session, so that the Board might follow the way in which activities developed.

65. Ms. TCHEKNAVORIAN-ASENBAUER (Managing Director, Industrial Sectors and Environment Division) thanked all speakers for their support and promised that her Division would do its best to improve the programme as it developed. Turkey had indeed helped UNIDO a great deal by organizing a most successful training programme on medicinal and aromatic plants. She hoped that the programme could be repeated with the generous assistance of Turkey. She thanked the European Union for its support and expressed her readiness to make the evaluation reports it had mentioned available to it or to others.

66. She assured the representative of Brazil that the programme was in harmony with UNIDO's main objective of industrialization. UNIDO was not simply working on crop substitution, but was helping to develop the industrial infrastructure and to promote rural industrial development. The quality control project in Thailand was a direct contribution to drug abuse control, and UNIDO was endeavouring to develop the country's quality control capacity to enable the Government to control the quality of the drugs and their medical use. The importance of well-established quality control capacity at the national level should be emphasized. She welcomed the progress made in the project and hoped that it would expand. It might perhaps be possible to hold a regional meeting in Thailand to allow for a further exchange of information and possibly to set up a training programme with the Thai Government.

67. She expressed her interest in the point made by the representative of Iran concerning regional cooperation. It would most probably be very useful to develop a regional programme with UNDCP and to include the question of drug abuse control in it. UNIDO could not of course take any new steps without prior discussion with UNDCP, the lead agency for drug abuse control.

68. Referring to the statement by the representative of Romania, she said that with the assistance of financing from Denmark and the Netherlands, the clean technology centre project was to be launched; one centre might be set up for the Mediterranean and another for the Black Sea. The latter would complement the ongoing project on environmental protection management in the same region, considering the dimension of industrial aspects and preventive measures. She expressed her gratitude to the representative of Romania for his generous offer.

ELECTRONIC DATA-PROCESSING PROGRAMME OF UNIDO (IDB.12/7)

69. Mr. VAN RAALTE (Managing Director, Administration) reminded the Board that a full briefing had recently been held with Member States. No new developments had occurred since then. UNIDO had, on 29 March, signed an agreement with IAEA whereby UNIDO would meet its computer needs through outsourcing from IAEA. The arrangement would be cheaper than the previous one, which had involved the lease-purchase agreement of UNIDO's own mainframe. UNIDO would not now purchase the central processing unit, but only peripherals such as disks, tapes, telecommunication controls, printers, etc. Any savings resulting from the new arrangement, for example on the lease of the CPU, would be redeployed to activities such as facilitating Member States' access to UNIDO's database, as well as improving UNIDO's own access to databases all over the world, installing the infrastructure needed to enable UNIDO to join the United Nations Integrated Management Information System, improving training and supporting end-users of the computer system in UNIDO and setting up an infrastructure for distributed processing, i.e. the decentralized use of computers.

70. UNIDO would keep Member States informed of any new developments concerning the recommendations of the consultants and auditors and was ready to provide them with any additional information they requested.

71. The PRESIDENT suggested that the Board take note of the information provided by the Secretariat.

72. It was so decided.

The meeting rose at 1 p.m.

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United Nations Industrial Development Organization

# Industrial Development Board

Twelfth session

SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 11 May 1994, at 8 p.m.

President: Mr. EL HUSSEIN (Sudan)

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The meeting was called to order at 8.40 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.12/L.2-L.10, L.12-15)

1. The PRESIDENT invited the Board to review all items that were still open for the adoption of decisions (items 4-10). A number of draft decisions, which had all been discussed in the informal consultations established with the aim of facilitating the drafting of decisions, were before the Board for consideration (IDB.12/L.2-L.10, L.12-15).

2. Mrs. OK (Turkey), speaking as chairman of the informal consultations, informed the Board that consensus had been reached on all the draft texts submitted. Regarding a draft decision on developments in South Africa, submitted under agenda item 10, it had been decided to recommend that the President should submit that draft as a declaration.

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3. The PRESIDENT explained that the draft decisions approved by consensus in the informal consultations had been brought to his attention by the chairman and that he was in turn submitting them to the Board as drafts of the President.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1993 ON THE ACTIVITIES OF THE ORGANIZATION (continued) (IDB.12/2; IDB.12/CRP.2; IDB.12/L.2, L.3, L.5)

4. The PRESIDENT drew the Board's attention to three draft decisions on item 4: draft decision IDB.12/L.3 on the annual report in general, draft decision IDB.12/L.2 on the UNIDO Staff Pension Committee and draft decision IDB.12/L.5 on further cost-cutting measures.

5. Draft decision IDB.12/L.3 was adopted.

6. Draft decision IDB.12/L.2 was adopted.

7. Draft decision IDB.12/L.5 was adopted.

8. Mr. ARCILLA (Philippines) said that he greatly appreciated the support of those concerned in reaching a consensus on the draft decision just adopted on further cost-cutting measures (IDB.12/L.5). He also wished to thank those States that had initially had misgivings but had subsequently joined in the consensus. He believed that the decision now adopted would further strengthen the Director-General's resolve in accomplishing his tasks and would ultimately lead to improvements in the lot of those whose interests UNIDO was committed to serve. Finally, he wished to express his appreciation for the cooperative and receptive attitude displayed by the Professional staff, to whom he pledged continuing support for their legitimate concerns and overall welfare.

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1993 (continued) (IDB.12/8; IDB.12/CRP.1; IDB.12/L.6)

9. The PRESIDENT drew the Board's attention to draft decision IDB.12/L.6.

10. The draft decision was adopted.

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES IN THE 1990s (continued) (IDB.12/6; IDB.12/L.10)

11. The PRESIDENT drew the Board's attention to draft decision IDB.12/L.10.

12. The draft decision was adopted.

UNIDO'S CONTRIBUTION TO THE SYSTEM-WIDE ACTION PLAN ON DRUG ABUSE CONTROL (continued) (IDB.12/4; IDB.12/L.12)

13. The PRESIDENT drew the Board's attention to draft decision IDB.12/L.12.

14. The draft decision was adopted.

ECONOMIC AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES (continued) (IDB.12/3; IDB.12/L.8)

15. The PRESIDENT drew the Board's attention to draft decision IDB.12/L.8.

16. The draft decision was adopted.

FUTURE POLICY FRAMEWORK OF UNIDO - ORGANIZATIONAL AND STAFF STRUCTURE (continued) (IDB.12/5; IDB.12/CRP.4; IDB.12/L.15)

17. The PRESIDENT drew the Board's attention to draft decision IDB.12/L.15.

18. The draft decision was adopted subject to minor drafting corrections.

19. Mr. OCHOA (Venezuela), speaking on behalf of the Group of 77, said, with reference to the decision just adopted (IDB.12/L.15), that the Group wished to express its appreciation to the Director-General for his efforts so far to implement the decisions and resolutions adopted by the General Conference at its fifth session, particularly in connection with the restructuring reforms of the Organization.

20. The Group also wished to express its concern over some aspects of that restructuring process, particularly in regard to the low level of representation of its member States in the Secretariat. It would request the Director-General to ensure that the representation of developing countries at the D-2 level was maintained at least at the current number of four posts and that the representation of developing countries at the Professional levels was increased. The Group was confident that experienced, qualified and competent persons could be found in the developing countries for the senior management posts of UNIDO.

21. It was in a spirit of cooperation and compromise that the Group had not insisted on including those points in the decision just adopted by the Board, although it considered them to be implicitly contained in that decision. The Group would continue to monitor developments closely and would, if necessary, raise the matter for further action in the policy-making organs of the Organization.

OPERATIONAL ACTIVITIES FOR DEVELOPMENT (continued) (IDB.12/9; IDB.12/L.4, L.7, L.9)

22. The PRESIDENT drew the Board's attention to three draft decisions on item 10: draft decision IDB.12/L.7 on operational activities for development in general, draft decision IDB.12/L.9 on UNIDO field representation and draft decision IDB.12/L.4 on the Industrial Development Decade for Africa.

23. Draft decision IDB.12/L.7 was adopted.

24. Draft decision IDB.12/L.9 was adopted.

25. Draft decision IDB.12/L.4 was adopted.

PROVISIONAL AGENDA AND DATE OF THE THIRTEENTH SESSION (IDB.12/CRP.3; IDB.12/L.13, L.14)

26. The PRESIDENT drew the Board's attention to two draft decisions on item 11: draft decision IDB.12/L.13 on the provisional agenda and date of the thirteenth session and draft decision IDB.12/L.14 on the fourteenth session of the Board.

27. Draft decison IDB.12/L.13 was adopted.

28. Draft decision IDB.12/L.14 was adopted.

DRAFT DECLARATION ON DEVELOPMENTS IN SOUTH AFRICA (IDB.12/L.11)

29. The PRESIDENT, referring to the draft decision concerning South Africa, submitted under item 10, said that he considered the subject to be so important that the decision deserved to be highlighted as a special declaration without reference to any particular item. Following the recommendation of the informal consultations, he had slightly redrafted the text, which he was submitting to the Board in the form of a draft declaration (IDB.12/L.11).

30. Draft declaration IDB.12/L.11 was adopted by acclamation.

ADOPTION OF THE REPORT OF THE TWELFTH SESSION

31. Mr. CURIA (Argentina), Rapporteur, introducing the draft report of the Board on its twelfth session (IDB.12/L.1), said that it contained many blanks because the current session had ended earlier than expected. It was not possible to provide a more complete report at the moment, but the final report would faithfully reflect the work of the session.

32. The PRESIDENT said that, if he heard no objections, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it, in consultation with his "Friends", as soon as possible after the close of the session.

33. It was so decided.

CLOSURE OF THE TWELFTH SESSION

34. Mr. DE MARIA Y CAMPOS (Director-General), congratulating the President of the Board, the Bureau and the participants on the constructive and efficient manner in which the session had been conducted, welcomed the continued support of Member States for the reform process. UNIDO was in the process of introducing models of management and administration which were flexible, transparent, reliable, efficient and effective, and which should enable the Organization to ensure that its activities matched the objectives sought in the reform process. His task over the coming months would be to complete the reform process and to ensure that the focus of the programme of work of UNIDO was in line with the directions laid down by the Board. The Yaoundé Declaration had already provided the framework for focusing priorities more effectively and for enhancing cooperation with Africa and the least developed countries.

35. At the same time, UNIDO had a number of tasks to perform at the international level. For example the Agenda for Development would be discussed in the High-Level Segment of the Economic and Social Council in June 1994, and it would be his intention on that occasion to ensure that the paramount role of the industrial sector was recognized in the generation of jobs, income, savings and investment. Otherwise it would be difficult if not impossible to bridge the gap between the developing and the industrialized countries. To undertake such initiatives at the international level, a new management dynamic had to be introduced into the Organization. While much had already been done, there was more progress to be made in improving management style, implementing new procedures and establishing a new institutional culture in which to bring the reforms to a successful conclusion. He would do everything possible to encourage teamwork, which was one of the most important challenges the Organization faced.

36. The question of the mobilization of resources had to be tackled in such a way as to enable the Organization to respond fully to the requests for its services. In the months to come a particular effort would be made to secure funds through negotiations with UNDP, international and regional financial institutions and organizations, and other possible sources of finance. Work would continue in the Task Force on Rationalization of Expenditure with a view to securing support for a balanced budget in the operational field, and in that regard he would be paying particular attention to factors such as home leave, on which he would be reporting to the forthcoming meeting of the Programme and Budget Committee.

37. At the present stage in UNIDO's consolidation process, it was necessary to begin gradually to strengthen the Organization's representation in the field. The Secretariat agreed with Member States that despite administrative and financial difficulties the only way of improving UNIDO's image and making sure that its programmes were better suited to the needs of recipient countries was by having a more effective field presence. For that purpose a programme was being drawn up, on the basis of different sources of funding.

38. Whereas budgetary constraints obliged the Organization to continue with its policy of controlling expenditure and rationalizing costs, it had to pursue and build up its work programme, and hence needed to be able to recruit highly qualified staff. He would be devoting particular attention to building up professional teams in every division and section as required. He appealed to Member States to submit appropriate candidates through the usual channels to fill professional posts, giving priority to women candidates. He had noted the statement made by the Group of 77 and would do everything possible to ensure that the selection process secured the presentation of appropriate candidates from developing countries; other international organizations had policies to facilitate that process, and he would examine these. Current recruitment was proceeding in the desired direction, but there was still a need for a better regional balance. Efforts were now being made to publicize vacancies in specialized journals, with the result that countries which had not done so in the past were now putting forward candidates. New staff members from developing countries and from countries in the process of economic transition would soon be appearing in the Organization. The results of that policy should be evident by the beginning of 1995, and he would be giving a progress report to the Board at its thirteenth session.

39. A great deal had been achieved, but it was important not to fall into the trap of complacency or excessive optimism. Although good intentions had been expressed, especially with regard to

funding, much remained to be done. Some Member States which had not made payments for some time were now doing so, and new contributions would be sought. While there had been some positive results, the situation was not entirely satisfactory; he would be giving a progress report at the next session of the Board.

40. The PRESIDENT expressed his gratitude to delegations and to the members of the Bureau for their cooperation during the session. The chairmen of the regional groups deserved special thanks for their constructive contributions towards the achievement of consensus decisions on the difficult issues that had faced the Board. He also wished to thank the Director-General and his staff for their contributions to the success of the session.

41. The session had been an important one, following after the fifth session of the General Conference at Yaoundé, at which landmark decisions had been taken and which had been characterized by a global spirit of accommodation. The task of the Board had been to shape the Organization's policies in the light of the general guidelines given by the Yaoundé Conference.

42. The session had also been held in the week which had seen the emergence of a new South Africa after a long history of suffering, and the Declaration which the Board had adopted by acclamation bore witness to its feelings towards the new South Africa.

43. As had emerged from the Director-General's reports and statements, the Organization had moved out of a period of darkness and uncertainty and had shed the poor image which had been associated with its work. Its financial situation had also begun to improve, and that undoubtedly reflected the confidence Member States felt in its future. The task of ensuring the success of UNIDO was a challenge to developed and developing countries alike. The generous contributions made by the donor countries towards ensuring that the Organization could accomplish its goals were appreciated by all. The beneficiaries of the Organization's services were also anxious to see it succeed. There was a community of interest in the success of UNIDO, which should be seen as a model of cooperation between North and South, based on a shared vision and a sense of solidarity, bearing in mind that the real objective of the activities of UNIDO was the improvement of the quality of life of human beings in the developing world.

The meeting rose at 9.35 p.m.